

Admiral Rickover pointed out in our recent hearings on the AEC authorization legislation:

"It took, I think, a couple of hundred million years to create the oil we have and maybe 5 or 6 million years to create the coal, and in our automobiles alone we use as much oil in 1 year as it took 14 million years to create."

The transportation industry will probably for a long time to come depend upon the oil industry, for which other sources of energy are ill adapted.

Projections of U.S. consumption of oil for 1975 forecast a need for 15 million barrels daily or 50 percent more than at present.

Thus exploration reserves tend to increase to meet the demands of consumption. However, on a competitive basis, oil imports are depressing somewhat the U.S. oil industry, discouraging prospecting, and holding prices below levels that make it profitable to search for more.

To an increasing degree natural gas reserves have been declining, having declined from a 32.5-year supply in 1946 to a 20-year supply, at current rates of consumption in 1960, although rising in absolute terms.

The basic reasons for the very pronounced growth in use of oil and gas in the past decade have largely run their course.

Railroads are now dieselized; private automobiles and trucks will not continue to increase in the same proportion; and industrial use is largely localized and for special purposes such as the petrochemical industry. Thus, oil will not expand greatly even in space heating where it is opposed by natural gas.

The greatest hope for expansion in the latter case is for gas-fired air conditioning and some expansion of space heating and special purposes such as carbon black.

Coal has lost all it is going to lose. The steadily expanding total energy market, which seems to double every 10 years, represents a plus factor for coal.

Resources for the future: A private research organization forecasts coal use will rise to 768 million tons by 1975, an increase of 355 million tons over the 1960 level of 413 million tons.

The proportion of the Nation's energy supplied by coal, they say in a recent report, will be 33 percent in 1975 compared with 25 percent in recent years.

Coal has another plus factor in that it is the raw material for a great and growing hydrocarbon chemical industry.

Synthetics in a bewildering array are derived from its components.

It may eventually be a major source of gasoline and other products.

In fact, the time may come when to burn coal may be considered wasteful in view of other higher uses of coal as a raw material.

Against that day, still in the future, it is well that the newest source of energy, the atom, be studied well and developed as rapidly as possible as a source of energy.

In addition to the generation of electricity, the atom also holds promise for a number of other applications which benefit mankind.

One of these is in the field of medicine. It was extremely fortunate that early in the atomic energy program the potential benefits and hazards of nuclear radiation were recognized.

As a consequence, useful applications have already been developed and, as a result of the studies of biological hazards, we have the knowledge to proceed with further work with safety.

In addition to the great value of nuclear radiation for diagnostic work in medicine, radiation holds great promise for doing things to rid humans of ills which cannot be done in any other way.

For example, during a recent visit to the AEC's Berkeley Laboratory I saw the results of experimental work on brain surgery which was performed on animals. This work at Berkeley is typical of what has been referred to as knifeless surgery.

As a layman this represents to me one of the most exciting and appealing peaceful applications of atomic energy.

Conventional surgery often leaves scar tissue which may seriously affect the functioning of the brain, even if the cancer is arrested. Nuclear surgery leaves no such scar.

It is my hope that this research will be pressed with full vigor, for I am convinced that it represents a major breakthrough in the treatment of man's most cruel and serious diseases.

The atom also holds great promise in the field of agriculture. Radioactive elements called radioisotopes, which are made in reactors, are showing great promise.

Radioisotopes are applied to a wide range of problems in agricultural research which range from applied studies for immediate use to fundamental investigations. Problems are resolved by this technique which many times cannot be done in any other way.

The speed of solution, as well as the economy of approach, makes this a more valuable technique than by the conventional methods.

The basic studies include plant physiology, biochemistry, plant genetics, and pathology. These do not necessarily directly apply to practical farming but aim at eventual agricultural benefits.

Ionizing radiation allows the researcher to produce genetic strains of various plants, which thus allows breeding and selection to obtain desired characteristics.

By use of this method resistance to rust has been developed in wheat, oats, and flax.

The irradiation of beans and peanuts to produce desired mutants has permitted two new plant varieties to be formally released to plant breeders for practical agricultural use.

One, the Sanilac bush navy bean, after several years of testing, outproduced the parent variety by 30 percent per acre and required fewer days from planting to harvesting.

The other is an improved variety of peanut with higher yield and greater disease resistance.

Somatic mutations produced by radiation have been transferred by cuttings or grafts to produce desirable color changes in apple and peach varieties.

Another special application of nuclear energy which I would like to bring to your attention is the preservation of food. We on the joint committee recently completed hearings on this subject. We were very pleased to hear of the progress which has been made by our scientists in this field.

Fundamentally this application involves exposing of foods of various kinds—meat, fish, vegetables, fruits—to nuclear radiation for short periods of time. This deactivates the various constituents in food which cause it to spoil. No radioactivity is produced in the food.

As a consequence the food so treated can be transported or stored without refrigeration.

Under present plans the Army is going to take the necessary steps very soon to have one item of food—bacon—cleared by the Food and Drug Administration for use in the field by the military.

This method of preservation holds great promise for use by the civilian population. We look forward to important developments in this program in the future.

In closing my remarks I would like to return to the keystone in the development of atomic energy. That is, the use of the atom as an energy source.

The Nation needs all of its resources of energy. It appears in the cold light of the present that the goal of nuclear energy as an economic source of electric power is still very much in the future, not only in the United States but in the world.

In facing up to the hard test of comparative economics, this realization should not prevent us from proceeding with prudence to experiment, to test, to search for the possible breakthrough that would make it economically competitive.

Again may I congratulate all of those responsible for the splendid safety record to date, and an auspicious beginning to what I fervently hope will be a very successful venture here at Saxton.

SENATE

TUESDAY, MAY 29, 1962

The Senate met at 12 o'clock meridian, and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, offered the following prayer:

O Lord, our God, who hath cast our lot in pleasant places: We praise Thee for our goodly heritage in this land. The hallowed walls of this Chamber speak of those whose gifts of head and heart and hand laid the foundation of this Nation as they looked to Thee, author of liberty. Help us to hold dear the faith and freedom which they cherished and to prize our heritage above luxury and ease.

Purify our desires and motives by Thy grace; feed our minds with Thy truth, which alone will make us free; and guide our feet into Thy paths of justice and righteousness.

In the dear Redeemer's name we pray. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Monday, May 28, 1962, was dispensed with.

MESSAGES FROM THE PRESIDENT—APPROVAL OF BILLS

Messages in writing from the President of the United States were com-

municated to the Senate by Mr. Miller, one of his secretaries, and he announced that on May 28, 1962, the President had approved and signed the following acts:

S. 160. An act for the relief of Thomas O. Tate, Jr.;

S. 383. An act to provide for the acquisition of a patented mining claim on the south rim of Grand Canyon National Park, and for other purposes; and

S. 1684. An act for the relief of Merle K. Loessin.

AGREEMENT WITH BELGIUM FOR MUTUAL DEFENSE PURPOSES—MESSAGE FROM THE PRESIDENT

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States,

which, with the accompanying papers, was referred to the Joint Committee on Atomic Energy:

To the Congress of the United States:

This Government has recently signed with the Government of Belgium an atomic cooperation agreement for mutual defense purposes. This agreement, which has been concluded pursuant to sections 91-c and 144-b of the Atomic Energy Act, is essentially the same as agreements we have concluded since 1959 with a number of other NATO countries. By providing for the exchange of information and nonnuclear materials the agreement with Belgium will enable us to cooperate in developing plans and training personnel so that Belgian NATO forces can effectively contribute with other NATO countries to the collective defense effort. The members of NATO have made clear that it is necessary for their common defense to maintain the most modern NATO forces, and that these forces must be capable of using nuclear weapons if necessary. Since it is well known that measures to build NATO military strength are designed solely for defense purposes, these measures should not be a cause of concern to other countries.

In general, NATO countries are proceeding simultaneously along two lines to provide for their necessary military strength: conventional forces are being strengthened, and an effective nuclear capability is being maintained. The conclusion of this agreement is consistent with these current policies and with the continuing alliance purposes of collective defense.

I am forwarding a copy of the atomic cooperation agreement with Belgium to each House of the Congress, in accordance with the Atomic Energy Act of 1954, as amended. I am also forwarding a letter from the Secretary of State transmitting an authoritative text of the agreement, a copy of the joint communication by the Secretary of Defense and the Chairman of the Atomic Energy Commission recommending my approval of the agreement and a copy of the memorandum recording my affirmative response to their recommendation.

JOHN F. KENNEDY.

THE WHITE HOUSE, May 29, 1962.

LEAVE OF ABSENCE

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senator from Michigan [Mr. McNAMARA] may be granted official leave of absence from the Senate to attend, as an official member of the U.S. delegation, the International Labor Organization Conference.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LIMITATION OF DEBATE DURING THE MORNING HOUR

On request of Mr. MANSFIELD, and by unanimous consent, statements during the morning hour were ordered limited to 3 minutes.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the nomination of the Executive Calendar, beginning with the new reports.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE MESSAGES REFERRED

The PRESIDENT pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the Committee on Armed Services.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORT OF A COMMITTEE

The following favorable reports of nominations were submitted:

By Mr. BYRD of Virginia, from the Committee on Finance:

Craig S. Atkins, of Maryland, Norman O. Tietjens, of Ohio, and Clarence V. Oppen, of New York, to be judges of the Tax Court of the United States.

The PRESIDENT pro tempore. If there be no further reports of committees, the nominations on the Executive Calendar, beginning with the new reports, will be stated.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

The Chief Clerk proceeded to read sundry nominations in the District of Columbia Redevelopment Land Agency.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

JUDGES OF MUNICIPAL COURT OF APPEALS, DISTRICT OF COLUMBIA

The Chief Clerk proceeded to read sundry nominations to be judges of the Municipal Court of Appeals for the District of Columbia.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

JUDGE OF MUNICIPAL COURT, DISTRICT OF COLUMBIA

The Chief Clerk read the nomination of John J. Malloy, of the District of Columbia, to be judge of the municipal court for the District of Columbia for a term of 10 years.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

ASSOCIATE JUDGE OF MUNICIPAL COURT, DISTRICT OF COLUMBIA

The Chief Clerk read the nomination of Joseph C. Waddy, of the District of Columbia, to be associate judge of the municipal court for the District of Columbia, domestic relations branch, for a term of 10 years.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

ADVISORY BOARD OF NATIONAL CAPITAL TRANSPORTATION AGENCY

The Chief Clerk read the nomination of Edwin T. Holland, of Virginia, to be a member of the Advisory Board of the National Capital Transportation Agency.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

U.S. ARMY

The Chief Clerk read the nomination of John H. Fagan, a cadet of the graduating class of 1962, U.S. Military Academy, for appointment as second lieutenant in the Regular Army of the United States, under the provisions of title 10, United States Code, sections 3284 and 4353.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

THE ARMY, THE NAVY, AND THE MARINE CORPS

The Chief Clerk proceeded to read sundry nominations in the Army, the Navy, and the Marine Corps, which had been placed on the Secretary's desk.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

Mr. MANSFIELD. Mr. President, if the Senate will bear with me, with the full concurrence of the distinguished minority leader, I ask that the Senate consider the nominations of three Tax Court judges reported today from the Committee on Finance. If permission is granted, an explanation will be made by the Senator from Virginia [Mr. BYRD].

The PRESIDENT pro tempore. Is there objection?

There being no objection, the Senate proceeded to consider the nominations of Norman O. Tietjens, Clarence V. Oppen, and Craig S. Atkins, to be judges of the Tax Court.

Mr. BYRD of Virginia. Mr. President, earlier today I reported favorably from the Committee on Finance the nominations of Chief Judge Norman O. Tietjens, of Ohio; Judge Clarence V. Oppen, of New York; and Judge Craig S. Atkins, of Maryland, to be judges of the Tax Court of the United States.

The PRESIDENT pro tempore. The clerk will state the nominations for the information of the Senate.

TAX COURT OF THE UNITED STATES

The legislative clerk proceeded to read the nominations of Craig S. Atkins, of Maryland; Norman O. Tietjens, of Ohio; and Clarence V. Oppen, of New York, to be judges of the Tax Court of the United States.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the nominations be considered en bloc.

The PRESIDENT pro tempore. Without objection, the nominations will be considered en bloc.

Mr. BYRD of Virginia. Mr. President, I should like to make a brief explanation of the nominations.

The Finance Committee has no objection to continuing the terms of these judges.

The President did not send these names to the Senate until Monday, May 28, and it is necessary for action to be taken promptly.

In the event these three judges should not be confirmed prior to midnight June 1—Friday—they will go off the payroll. Since Judge Tietjens was elected last year to a 2-year term as Chief Judge, failure of timely confirmation will mean a vacancy in the statutory office of Chief Judge, and the Tax Court will have to call a special election on May 31—Thursday—in order to prevent this from happening. In addition, Judge Oppen is responsible for two very important calendars in June which could not be canceled now without extreme inconvenience to litigants. Delay in this confirmation will create a most unfortunate uncertainty as to his judicial authority.

I have gotten in touch with the Senators from Maryland, Ohio, and New York, of which States these three judges are residents, and they do not oppose the nominations.

The PRESIDENT pro tempore. Without objection, the nominations are confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of all the nominations acted on today.

The PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

WITHDRAWAL OF CULTURAL CONVENTION WITH BRAZIL

Mr. HUMPHREY. Mr. President, I submit a resolution directing the Secretary of the Senate to return to the President, as requested in his message to the Senate of May 21, 1962, the cultural convention between the United States and Brazil, signed on October 17, 1950.

The Committee on Foreign Relations on May 22 agreed to the request of the President and recommends that the Senate return the Cultural Convention to the President. The President stated that it is the intention of the Governments of Brazil and the United States to negotiate a new agreement on this subject.

I ask unanimous consent that the resolution be considered and agreed to.

Mr. GOLDWATER. Mr. President, will the Senator yield for a question?

Mr. HUMPHREY. I yield.

Mr. GOLDWATER. What does the measure entail?

Mr. HUMPHREY. It is a cultural convention embracing the exchange of persons, periodicals, and cultural activities that was negotiated approximately 12 years ago. The question is not an unusual one. There are a number of these agreements. There are approximately 50 or 60 of them still hanging fire that have not yet been acted upon either by the parliament of the country with which the negotiations took place or with our own country. Since the convention in question is now outdated, and because there seems to be no agreement either on our part in the legislative branch or in the legislative branch of the Brazilian Government, the President is asking that the convention be withdrawn from consideration. It will have to be considered de novo on another occasion.

Mr. GOLDWATER. I thank the Senator.

The PRESIDENT pro tempore. The resolution will be stated for the information of the Senate.

The legislative clerk read as follows:

Resolved, That the Secretary of the Senate is directed to return to the President of the United States, as requested in his message to the Senate under date of May 21, 1962, the cultural convention between the United States of America and the United States of Brazil, signed at Washington on October 17, 1950 (S. Ex. X, 81st Cong., 2d sess.).

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution? The Chair hears none, and it is so ordered.

The resolution (Ex. Res. No. 1) was considered and agreed to.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following communication and letter, which were referred as indicated:

PROPOSED LEGISLATION RELATING TO ELECTION OF PRESIDENT AND VICE PRESIDENT

A communication from the President of the United States, transmitting drafts of proposed legislation relating to the election of President and Vice President (with accompanying papers); to the Committee on Rules and Administration.

REPORT ON AGREEMENTS CONCLUDED UNDER AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954

A letter from the Administrator, Foreign Agricultural Service, Department of Agriculture, Washington, D.C., transmitting, pursuant to law, a report on agreements concluded during April 1962 under title I of the Agricultural Trade Development and

Assistance Act of 1954 (with accompanying papers); to the Committee on Agriculture and Forestry.

REPORTS OF A COMMITTEE

The following reports of a committee were submitted:

By Mr. MONRONEY, from the Committee on Post Office and Civil Service, without amendment:

H.R. 6695. An act to amend title 39 of the United States Code with respect to the transportation of mail by highway post office service, and for other purposes (Rept. No. 1536); and

H.R. 7559. An act to amend title 39 of the United States Code to provide for additional writing or printing on third- and fourth-class mail (Rept. No. 1537).

By Mr. MONRONEY, from the Committee on Post Office and Civil Service, with an amendment:

H.R. 7532. An act to amend title 39 of the United States Code relating to funds received by the Post Office Department from payments for damage to personal property, and for other purposes (Rept. No. 1538).

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. PASTORE:

S. 3360. A bill for the relief of Joao Pereira Moraes and Maria da Gloria Moraes; and

S. 3361. A bill to facilitate the entry of alien skilled specialists and certain relatives of U.S. citizens; and for other purposes; to the Committee on the Judiciary.

(See the remarks of Mr. PASTORE when he introduced the last above-mentioned bill, which appear under a separate heading.)

By Mr. MUSKIE:

S. 3362. A bill to amend section 701 of the Housing Act of 1954 to provide grants for continuing support of metropolitan planning, and for other purposes; to the Committee on Banking and Currency.

S. 3363. A bill to provide for more effective utilization of certain Federal grants by encouraging better coordinated local review of State and local applications for such grants; to the Committee on Government Operations.

(See the remarks of Mr. MUSKIE when he introduced the above bills, which appear under separate headings.)

By Mr. HART (for himself and Mr. McNAMARA):

S. 3364. A bill to establish in the State of Michigan the Pictured Rocks National Lakeshore, and for other purposes; to the Committee on Interior and Insular Affairs.

(See the remarks of Mr. HART when he introduced the above bill, which appear under a separate heading.)

By Mr. SCOTT:

S. 3365. A bill for the relief of Evangelia N. Giameos; to the Committee on the Judiciary.

By Mr. PASTORE (by request):

S.J. Res. 193. Joint resolution to suspend for the 1964 campaign the equal opportunity requirements of section 315 of the Communications Act of 1934 for nominees for the offices of President and Vice President; to the Committee on Commerce.

ENTRY OF ALIEN SKILLED SPECIALISTS AND CERTAIN RELATIVES OF U.S. CITIZENS

Mr. PASTORE. Mr. President, each year in the Congress we have been able

to achieve some liberalization of our immigration laws. Each year we have a feeling that we have not done quite enough—but we do make gains which we feel improves the image of America in places where we desire friends.

I now introduce a bill to facilitate the entry of alien skilled specialists and certain relatives of U.S. citizens. It is identical with a bill introduced in the House last Thursday by Chairman WALTERS, of the House Immigration Subcommittee.

Section 2 would speed the arrival here of some 2,000 Chinese with specialized skills badly needed in American industry. With their families this would mean the admission of about 6,000 Chinese. Other races would provide a total of about 10,000.

The first section of the bill would move up by 1 year the registration date in cases of fourth preference immigrants, relatives of U.S. citizens. The new cut-off date would be December 31, 1954.

It is estimated that this bill permit the entry of some 28,000 nonquota immigrants. This humane provision which has in mind the protection of family ties nevertheless provides only a trickle in the stream of ambitious people whose desire to come to America is the best proof of world appreciation of what America means.

There are those of us who would have preferred a more generous date—say, December 31, 1955—but for the sake of action and agreement, we would urge the meeting of the minds on this bill. Because of the lateness of the legislative hour we would request that the Judiciary Committee expedite consideration of this measure—so that we may have a message of hope and help for this type of people.

I ask unanimous consent that an explanation of the bill be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the explanation will be printed in the RECORD.

The bill (S. 3361) to facilitate the entry of alien skilled specialists and certain relatives of U.S. citizens, and for other purposes, introduced by Mr. PASTORE, was received, read twice by its title, and referred to the Committee on the Judiciary.

The explanation presented by Mr. PASTORE is as follows:

EXPLANATION

The first section of this proposed bill would move up by 1 year the registration date in cases of fourth preference immigrants as compared to the 1959 law which expired on March 25, 1962. The expired law granted nonquota status to second, third, and fourth preference immigrants registered prior to December 31, 1953. This proposal would move the date up to December 31, 1954.

Official statistical data obtained from the Department of State (visa office) indicate that under the 1959 law a total of 28,093 immigrants entered the United States on nonquota basis. Of this number Italy sent the largest contingent of immigrants—16,742; next was Portugal—4,298; with Greece—1,825; Yugoslavia—847; Spain—553, etc. following in that order.

It is not possible to estimate with any degree of accuracy how many aliens would benefit from the enactment of section 1 of the proposal as data from all U.S. consular offices around the globe are very difficult to obtain. The best estimation is that the number of beneficiaries would equal the number of those fourth preference applicants who entered as nonquota immigrants under the 1959 law with approximately similar breakdown by country. This should give Italy approximately 15,000, about 1,300 to Greece, 300 to Spain, etc.

Section 2 of the proposal would permit immediate entry in nonquota status (or adjustment of status for those who are in the United States) of all beneficiaries of first preference petitions (skilled specialists) approved prior to April 1, 1962.

The largest number of aliens benefiting from this provision would be Chinese. The total number of beneficiaries of first preference petitions chargeable to the quota for Chinese persons is approximately 6,900 of which about one-half are in the United States (in the status of "indefinite voluntary departure") and the other half abroad. This number includes the prime beneficiaries of the approved petitions (the skilled specialist himself) and his spouse and children, if any.

Other than Chinese, the beneficiaries of this section would be (approximately) 580 natives of the Philippines, 350 natives of India, 300 natives of Turkey, 100 natives of Egypt, 100 Japanese, 80 Koreans, 60 Lebanese, 60 Australians and possibly up to 200 Jamaicans.

It is not believed that the grand total would exceed 10,000 persons.

Italy would not benefit under this provision as the first preference portion of the Italian quota is not oversubscribed.

AMENDMENT OF SECTION 701 OF HOUSING ACT OF 1954, RELATING TO GRANTS IN CONTINUATION OF SUPPORT OF METROPOLITAN PLANNING

Mr. MUSKIE. Mr. President, on behalf of the Advisory Commission on Intergovernmental Relations, I introduce, for appropriate reference, a bill to amend section 701 of the Housing Act of 1954 to provide Federal financial grants on a continuing support basis for the establishment and operation of metropolitan area planning bodies.

The proposed legislation would carry out one of the major recommendations for Federal action to improve governmental structure, organization, and planning in metropolitan areas adopted last year by the Advisory Commission on Intergovernmental Relations. The Commission on Intergovernmental Relations is composed of representatives of the Congress, of the executive branch, and of State and local elected officials, as well as public members appointed by the President. The Commission has been charged by the Congress with the continuing responsibility for study and for making recommendations to Federal, State, and local governments on ways in which intergovernmental relations might be improved and the overall Federal system of government in this country made more effective.

The bill I am introducing provides that the Housing and Home Finance Administrator be authorized to provide grants for continuing support of comprehensive planning activities to metropolitan and regional planning agencies.

The Housing Administrator, in approving such grant applications, would take into account both the extent of actual past accomplishments in improving metropolitan planning by the applicant agency as well as the total funds available for such grants. Where a statewide planning organization is in existence and is judged acceptable by the Administrator, the metropolitan planning area's request for financial assistance would be channeled through that State instrumentality.

Beginning in 1954, section 701 of the Housing Act has provided for Federal grants to aid State and local governments in solving planning problems resulting from rapid urban growth. Among the objectives defined in the act are "to facilitate comprehensive planning on a continuing basis by such governments"; and "to encourage such governments to establish and improve planning staffs."

As administered over the years, section 701 has generally been used on a "one shot" basis to help finance specific planning projects, primarily the development of comprehensive plans in contrast to continuing maintenance of such plans. In many metropolitan areas the effect has been to neglect the important task of continuing maintenance and updating of comprehensive plans to achieve an effective and orderly pattern of metropolitan area development. In addition, upward of 100 metropolitan areas have not taken advantage of Federal "701" project grants to establish metropolitan-wide planning bodies nor have they initiated such efforts on their own.

The Commission believes that there is a further need to stimulate the creation and effective operation of metropolitan area planning bodies to deal properly with metropolitan area problems and to permit the best possible basis for decision making by the many local governments with respect to their own development within these metropolitan areas.

The Commission considers the maintenance of the comprehensive planning function in metropolitan areas to be important from the standpoint of general national interest as well as a basic aid to State and local efforts to achieve an effective and orderly pattern of metropolitan development. Such support grants will help coordinate rapidly expanding Federal aids to urban development with each other and with State and local development activities at the local level.

Precedents for continuing financial participation by the Federal Government in support of metropolitan area planning, including participation in administrative costs, have long been established. Such continuing assistance is currently authorized in such fields as agricultural research, highway planning and research, civil defense, vocational education and public assistance, among others.

Finally, this proposed legislation would increase the role of State governments in metropolitan area planning by channeling metropolitan area planning agency requests through appropriate State instrumentalities, where such exist. This would permit the State to examine

metropolitan areawide planning proposals and grant requests in terms of overall State policies and stimulate the States to assume more active leadership in urban affairs.

I ask unanimous consent that the text of the bill be printed in the *RECORD*.

The *PRESIDENT pro tempore*. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the *RECORD*.

The bill (S. 3362) to amend section 701 of the Housing Act of 1954 to provide grants for continuing support of metropolitan planning, and for other purposes, introduced by Mr. MUSKIE, was received, read twice by its title, referred to the Committee on Banking and Currency, and ordered to be printed in the *RECORD*, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 701(b) of the Housing Act of 1954 is amended by changing the period at the end of the first sentence to a colon and adding the following: "And provided further, That a grant may be made under this section to an agency or instrumentality referred to in subsection (a) (2) for the continuing support of comprehensive planning (as defined in subsection (d)). In determining whether a grant to any agency or instrumentality shall be made under the second proviso of the preceding sentence, the Administrator shall take into account the extent of actual accomplishments in the metropolitan area during periods for which such agency or instrumentality has received grants for continuing support under said proviso. In States where a State planning agency is empowered to carry out statewide planning, grants under said proviso shall be made through such State agency, except that in the case of an interstate metropolitan area the grant may be made directly to the metropolitan or regional planning agency."

COORDINATED REVIEW OF STATE AND LOCAL APPLICATIONS FOR CERTAIN FEDERAL GRANTS-IN-AID

Mr. MUSKIE. Mr. President, on behalf of the Advisory Commission on Intergovernmental Relations, I introduce, for appropriate referral, a bill to encourage better coordinated local review of State and local applications for certain Federal grants-in-aid.

The bill provides that, effective July 1, 1964, applications for Federal grants-in-aid for hospital construction, airport construction, waste treatment works, urban highways, public housing, and urban renewal be accompanied by comments and recommendations of metropolitan planning agencies empowered under State law to perform metropolitan planning for the area within which the assistance is to be used. The State or local agency applying for the grant would be required to report that it had taken the comments and recommendations into consideration in preparing its final application.

It is important to note that no attempt is made by this legislation to determine how responsible State or local officials should make use of the comments and recommendations made by the metropolitan planning agency. Similarly, the Federal officials adminis-

tering the grants-in-aid programs would be expected to review the comments and recommendations of the planning agency and any comments thereon made by the State or local agency applying for the grant. Such review would be helpful in determining whether the grants applied for are in accord with the Federal laws under which they are made.

Thus, this act would in no way change Federal, State, or local laws now governing these important grants-in-aid programs, but rather would provide assurance that consideration had been given by the agencies concerned to the need for proper coordination of interrelated development programs in any given metropolitan area.

In order to avoid any undue delay from the proposed review and coordination procedure, the requirement that State and local governmental agencies shall submit comments and recommendations by metropolitan planning agencies along with applications for certain Federal grants-in-aid would be waived in those cases where the planning agency has failed to act within a 60-day period.

The need for this proposed legislation is created by the rapid growth of the Nation's metropolitan areas and the fact that many Federal programs affecting such areas are initiated from various local units of government, often without reference to other Federal development programs or to their impact on the overall metropolitan areas which they are designed to serve.

All too often federally aided, local development projects are planned, administered, and reviewed independently despite the fact that they are actually closely interrelated. The difficulty of coordinating such diversely administered aids and comprehensive development of metropolitan areas is compounded by the number of local jurisdictions and special districts, about 80 on the average, within each metropolitan area.

Given this situation, metropolitan planning agencies can serve as an effective mechanism and vehicle for the coordination of such Federal grants-in-aid assistance and also of State, county, and local development activities at the local level and in relating these activities to the desirable development of the metropolitan area as a whole.

There are a number of precedents for such an advisory review. Federal grants-in-aid have traditionally included conditions for insuring local performance standards. The Urban Renewal Administration and the Public Housing Administration both require that Federal assistance be in conformance with comprehensive local development plans for the specific jurisdictions affected. Assistance under the Federal open space and mass transportation programs are contingent upon areawide comprehensive plans, locally prepared. In our own National Capital region each Federal agency proposal for development or construction must be reviewed, on an advisory basis, by the National Capital Planning Commission to insure that it is consistent with comprehensive plans for development of the Washington metropolitan area.

The Advisory Commission considers it appropriate for the the Federal Government to use suitable inducements for effective planning and coordination of metropolitan area growth in the interests of getting maximum value for both the Federal and the local funds which are spent in connection with Federal grants-in-aid programs. Equally important is the increased effectiveness which will result in achieving program objectives.

All the governments affected by these Federal programs should benefit by the improved metropolitan planning machinery and decisionmaking that would stem from enactment of this legislation.

I ask unanimous consent that the text of S. 3363 be printed in the *RECORD* at this point.

The *PRESIDENT pro tempore*. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the *RECORD*.

The bill (S. 3363) to provide for more effective utilization of certain Federal grants by encouraging better coordinated local review of State and local applications for such grants, introduced by Mr. MUSKIE, was received, read twice by its title, referred to the Committee on Government Operations, and ordered to be printed in the *RECORD*, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in order to assist Federal, State, and local governments to increase their economy and efficiency of operations in meeting the governmental needs of the increasing concentration of population in metropolitan areas; to facilitate the coordination of intergovernmental relationships and activities on a continuing basis; to provide more effective exchange of information among the governments concerned; and to encourage State and local governments to establish or improve facilities for coordinating metropolitan development, all applications made after June 30, 1964, for Federal grants to assist in carrying out urban renewal activities or for the construction of hospitals, airports, waste treatment works, urban highways, and public housing within any metropolitan area defined by the Bureau of the Budget as a Standard Metropolitan Statistical Area shall be subject to the provisions of this Act.

SEC. 2. (a) Except as provided in subsection (b) of this section, each application for grants of the types described in section 1 shall be accompanied (i) by the comments and recommendations thereon of an official State, metropolitan, or regional planning agency empowered under State or local laws or interstate compact to perform metropolitan or regional planning for the metropolitan area within which the assistance is to be used, or other agency or instrumentality designated for such purpose by the Governor (or Governors in the case of interstate planning) and (ii) by a statement by the applicant that such comments and recommendations have been considered prior to formal submission of the application. Such comments shall include information concerning the extent to which the proposed urban renewal activity or the construction is consistent with comprehensive planning (as defined in subsection (d) of Section 701 of the Housing Act of 1954) developed or in the process of development for the metropolitan area and the extent to which such activity or construction contributes to the fulfillment of such planning. The comments and recommendations and the statement referred to in this section shall, except in the case

referred to in subsection (b) of this section, be reviewed by the agency of the Federal Government to which such application is submitted for the sole purpose of assisting it in determining whether the application is in accordance with the provisions of Federal law which govern the making of the grants.

(b) An application for Federal grants need not be accompanied by the comments and recommendations and the statement referred to in subsection (a) of this section if the applicant certifies that the application has lain before an appropriate planning agency or instrumentality for a period of 60 days without comments or recommendations thereon being made by such agency or instrumentality.

Sec. 3. The President is hereby authorized to prescribe such rules and regulations as he deems appropriate for the effective administration of this Act.

ESTABLISHMENT OF A NATIONAL LAKESHORE AT PICTURED ROCKS, MICHIGAN

Mr. HART. Mr. President, on behalf of my colleague the senior Senator from Michigan [Mr. McNAMARA], and myself, I introduce, for appropriate reference, a new bill for the establishment of a National Lakeshore at Pictured Rocks, in the upper peninsula of Michigan.

The Pictured Rocks area was one of 12 designated by the Department of the Interior survey of the Atlantic, Pacific, Gulf, and Great Lakes shorelines as being suitable and warranting inclusion in the National Park System.

The bill, in conformity with the survey, would establish an area of some 67,000 acres of Lake Superior shoreline between Munising and Grand Marais. It would include the world famous sandstone Pictured Rocks, sweeping sand beaches and dunes, and a series of picturesque lakes, streams, and falls back from the shoreline. This is the land of Hiawatha. It is a unique and ideal region for investment by the Federal Government for the preservation and development of the scenic and natural resources for this and future generations.

In 1961 Senator McNAMARA and I introduced S. 2152, the first proposal for the development of the Pictured Rocks area. In the ensuing 12 months much attention and discussion have been directed to the question of how best the Federal Government can assist in developing the natural resources at Pictured Rocks not only for the benefit, enjoyment, and economic well-being of the upper peninsula and the State of Michigan, but for the benefit of the entire Nation.

Important studies of the economic potentials in Michigan's upper peninsula have been published. The counties of the upper peninsula have organized for economic development under the Area Redevelopment Act and private and public organizations concerned with the future economic growth of this region are presently very active.

It is clear that Congress has a special opportunity in evolving a plan for the national development of the Pictured Rocks area by which all of the resources potential of the Pictured Rocks area—recreation, scenic, and timber—can be achieved. Our new bill looks toward this objective.

Here, within the suggested boundaries set forth in the Park Service study at Pictured Rocks, are hardwood timber resources important to the economic future of the wood-using industries of the area, as well as tourist and recreation potentials which are keys to the further economic development of the area.

Prof. Lee James, in his study prepared for the Committee on Public Works of the U.S. Senate entitled "Opportunities for Economic Development in Michigan's Upper Peninsula," stated:

It is desirable to consider further public acquisitions for park purposes in areas of special attraction. In particular, access to shorelines must be emphasized. Ready access to the public lands for recreational use is needed. This means not merely road or boat access, but the provision of campgrounds, picnic areas, parking, water and toilet facilities, and public beaches. The rate at which such facilities have been provided is far below the rate at which recreational use has been developing. Every summer, for example, thousands of campers are turned away from the State parks. The provision of new facilities and their maintenance is necessary if the recreational potentialities of the Upper Peninsula are to be realized.

Special attention needs to be devoted to facilities for campers—both for tents and trailers. Camping is the fastest growing segment of tourism, and the Upper Peninsula is particularly well endowed with natural attractions for this group of vacationists.

He outlined the critical importance of evolving a public policy by which the potential of the timber resources and recreation and scenic resources can be developed together. Professor James said:

A minute fraction of the Upper Peninsula's public lands—perhaps 2 percent—is reserved specifically for recreational use. Park areas, designated camping areas, roadside and lake-side strips reserved from cutting—all of these intensively developed areas for recreation comprise an insignificant portion of the public lands. These could be multiplied several times without making a serious dent in the use of forests for other purposes.

Both the national forests and the State forests are managed under the principle of multiple use, a principle which recognizes that forests have many uses and, to a large extent, these uses are compatible. In specific instances, individual uses may become paramount, as when park areas or camping areas are designated, or wildlife refuges are established, or mining enterprises become established. But over the bulk of the forest area, the multiple uses exist simultaneously. Timber can be harvested, water regulated, game managed, and recreation enjoyed on the same forest areas.

So long as the multiple-use philosophy prevails over the bulk of the public forest lands, so long as recreationists are willing to permit the public agencies to manage lands on this basis, it will be possible for a region like the Upper Peninsula to have its extensive public lands available for timber and minerals production and at the same time be used for wildlife production and outdoor recreation.

On this basis, the supply of public lands in the Upper Peninsula for recreation is vast. It is large enough to meet any foreseeable needs, although it may not meet some specific needs such as access to shoreline. The supply of public lands can permit a manifold expansion in specific allocations to recreation in the form of small parks, picnic areas, camping areas, hiking trails, scenic roads, and winter sports areas. Such allocations can be made without severe impact on other

uses. But if recreationists reject, in general, the principle of multiple use, and insist on large-scale allocations of land to exclusive recreational use, they could cause a severe curtailment in other regional economic opportunities, particularly to the wood-using industries.

The point to be noted is that the supply of public lands for recreation is vast, but it is quite limited for use which emphasizes wilderness. Wilderness use which requires a high ratio of land to people, which seeks large allocations of land for a recreational environment, and which denies the designated land to other uses, would be difficult to supply in the Upper Peninsula context. But recreational use of a more gregarious kind that does not require personal isolation on a large scale nor prevent forest land from being used for other purposes has the physical room for a great expansion on the Upper Peninsula's public lands.

Last November the Public Lands Subcommittee of the Committee on Interior and Insular Affairs held a hearing on S. 2153, the Sleeping Bear Dunes proposal, which is another of the three areas recommended along the Great Lakes shoreline. At that hearing the Michigan Conservation Commission outlined policies which it felt should be followed in developing the recreation areas both at Sleeping Bear Dunes and at Pictured Rocks. Dr. Stanley A. Cain, testifying for the Michigan Conservation Commission, said in part:

The commission believes that the utilization of timber products under approved silvicultural methods could continue on selected parts of the recreation area, with due allowance for buffer zones along shorelines of Lake Michigan and inland lakes and major streams, and for the protection of the dunes and other scenic and important natural features of the region where on all such lands nature should be allowed to take her course with the passage of time.

In support of this view, the commission knows that proper forest management is an essential feature of habitat maintenance for game and wildlife of many kinds, that the forest industry is important to Michigan's economy, and that much of the area in any case is not a wilderness in the usual ecological sense. Forest management, when it does not impair other natural values, adds variety to the landscape, may itself have recreational attractiveness, and enhances some recreational features of the area as a whole.

The commission recognizes that comparatively large sums of money will be required to purchase lands within the area in fee title, and recommends that consideration to other procedures be given, such as the purchase of conservation easements.

The commission is in complete agreement with the high standards of management of national parks and monuments for which one principal objective is to preserve in perpetuity their wild natural characteristics, and it understands that the developing concept of national recreation areas is very different. It believes that the distinction between a park, in the sense of the National Park Service, and a recreation area is an important one.

There is no question, Mr. President, that here at Pictured Rocks the Congress has a unique opportunity to establish an area which can be a model in the development of recreation areas in many other parts of our Nation.

This new bill permits, first, preservation of the scenic beauty along the shoreline; second, protection of other areas for intensive public use and enjoyment; and,

third, timber harvesting under a supervised sustained yield timber management program in the areas needed for less intensive recreation development and as buffer zones.

This year the Outdoor Recreation Resources Review Commission reported to the President and the Congress on the recreation resource needs of our Nation over the next 40 years. Following are the findings of this landmark study:

The simple activities are the most popular: Driving and walking for pleasure, swimming, and picnicking lead the list of the outdoor activities in which Americans participate, and driving for pleasure is most popular of all. This is generally true regardless of income, education, age, or occupation.

Outdoor opportunities are most urgently needed near metropolitan areas: Three-quarters of the people will live in these areas by the turn of the century. They will have the greatest need for outdoor recreation, and their need will be the most difficult to satisfy as urban centers have the fewest facilities (per capita) and the sharpest competition for land use.

Across the country, considerable land is now available for outdoor recreation, but it does not effectively meet the need: Over a quarter billion acres are public designated outdoor recreation areas. However, either the location of the land, or restrictive management policies, or both, greatly reduce the effectiveness of the land for recreation use by the bulk of the population. Much of the West and virtually all of Alaska are of little use to most Americans looking for a place in the sun for their families on a weekend, when the demand is overwhelming. At regional and State levels, most of the land is where people are not. Few places are near enough to metropolitan centers for a Sunday outing. The problem is not one of total acres but of effective acres.

Money is needed: Most public agencies, particularly in the States, are faced with a lack of funds. Outdoor recreation opportunities can be created by acquiring new areas or by more intensive development of existing resources, but either course requires money. Federal, State, and local governments are now spending about \$1 billion annually for outdoor recreation. More will be needed to meet the demand.

Outdoor recreation is often compatible with other resource uses: Fortunately, recreation need not be the exclusive use of an area, particularly the large ones. Recreation can be another use in a development primarily managed for a different purpose, and it therefore should be considered in many kinds of planning—urban renewal, highway construction, water resource development, forest and range management, to name only a few.

Water is a focal point of outdoor recreation: Most people seeking outdoor recreation want water—to sit by, to swim and to fish in, to ski across, to dive under, and to run their boats over. Swimming is now one of the most popular outdoor activities and is likely to be the most popular of all by the turn of the century. Boating and fishing are among the top 10 activities. Camping, picnicking, and hiking, also high on the list, are more attractive near water sites.

Outdoor recreation brings about economic benefits: Although the chief reason for providing outdoor recreation is the broad social and individual benefits it produces, it also brings about desirable economic effects. Its provision enhances community values by creating a better place to live and increasing land values. In some underdeveloped areas, it can be a mainstay of the local economy. And it is a basis for big business as the millions and millions of people seek-

ing the outdoors generate an estimated \$20 billion a year market for goods and services.

Outdoor recreation is a major leisure time activity, and it is growing in importance: About 90 percent of all Americans participated in some form of outdoor recreation in the summer of 1960. In total, they participated in one activity or another on 4.4 billion separate occasions. It is anticipated that by 1976 the total will be 6.9 billion, and by the year 2000 it will be 12.4 billion—a threefold increase by the turn of the century.

More needs to be known about the values of outdoor recreation: As outdoor recreation increases in importance, it will need more land, but much of this land can be used, and will be demanded, for other purposes. Yet there is little research to provide basic information on its relative importance. More needs to be established factually about the values of outdoor recreation to our society, so that sounder decisions on allocation of resources for it can be made. More must be known also about management techniques, so that the maximum social and economic benefit can be realized from these resources.

Here at Pictured Rocks is a stretch of lake shoreline which lends itself to development to meet the American public's interest in outdoor recreation where, as part of a scenic tour by car, the populations of our great Midwestern metropolitan centers can enjoy camping, water-based sports, and a scenic drive along one of America's outstanding shorelines. For a relatively small Federal investment we can assure public access to this prime recreation land in the future and stimulate the economy of a region of our Nation sorely in need of new industry and business. Recreation and forestry, the basic economic factors in the region, are mutually served in this new proposal.

In a letter today to the Secretary of the Interior, I have requested an intensive study by his Department to develop a land description of scenic areas and prime recreation sites where, because of public use or scenic preservation values, a program of well-managed timber production is inadvisable. I am hopeful that such a description and plan will be available within a very few weeks since it is our intention to request the chairman of the Public Lands Subcommittee of the Senate Interior Committee to schedule a hearing on the new Pictured Rocks bill in the Upper Peninsula this summer.

Mr. President, evolving this new bill has been an encouraging experience. Owners of timber property within the proposed boundaries, newspapers, private associations, local governments and many others throughout the Upper Peninsula and Michigan have constructively approached the question of how to balance and mold the economic interests and the local, State, and National interests in this development. And there is real probability that to begin the public legislative hearings now will develop an acceptable formula.

We know the history, Mr. President, of the survey undertaken in 1934 of our Atlantic and gulf coasts to identify areas then suitable for preservation as a national investment. Twelve such areas were identified. Today only one—Cape Hatteras—has been preserved, and this was purchased almost entirely with private funds and given to the Federal Government. Those other 11 beautiful sec-

tions of our Atlantic and gulf coasts are gone and this in less than 25 years.

Now the Congress seeks to preserve an additional 12 shoreline areas on our ocean and lake shores identified in the late 1950's as having significant national value. Three of these are on the shoreline of the State of Michigan. If history has taught us anything, it is that time runs out fast. In 40 years our population will have doubled; leisure time for recreation will have more than doubled. State and National parks and camp sites even now are overburdened. Uninterrupted freeways move vast numbers of people in a matter of hours across State boundaries to recreation areas reached only by the most venturesome 10 years ago. Will we act now so as to meet the needs of 40 years from now? The opportunity is clear and the time is short.

Mr. President, national interest also has developed relative to the proposal for a national lakeshore recreation area at Sleeping Bear Dunes in the lower peninsula of Michigan—another of the 12 areas identified in the national survey.

An initial hearing on S. 2153, the Sleeping Bear Dunes bill, was held in Traverse City last November. Much opposition and many helpful suggestions came from that hearing. Following this and further public discussion, a suggested redraft of the Sleeping Bear bill was given wide circulation in March.

Reaction and discussion continues which we believe are helpful to all, and a new bill on the Sleeping Bear Dunes will be introduced in the near future.

We ask the Congress to move ahead on both of these lakeshore proposals, developing means which will protect property owners in the affected areas and respond to the National and State interests in preserving these areas.

Mr. President, I ask unanimous consent that the new bill, together with a 10-point list of its highlights, be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and list of highlights will be printed in the RECORD.

The bill (S. 3364) to establish in the State of Michigan the Pictured Rocks National Lakeshore, and for other purposes, introduced by Mr. HART (for himself and Mr. McNAMARA), was received, read twice by its title, referred to the Committee on Interior and Insular Affairs, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) in order to preserve for the benefit, inspiration, education, recreational use, and enjoyment of the public a significant portion of the diminishing shoreline of the United States and its related geographic and scientific features, the Secretary of the Interior (hereinafter referred to as the "Secretary") is authorized to take appropriate action, as herein provided, to establish in the State of Michigan the Pictured Rocks National Lakeshore.

(b) Within certain defined areas, the Secretary's authority to acquire property by condemnation shall be suspended if the growing and harvesting of timber is being carried out on these lands on a sustained-yield basis pursuant to an agreement be-

tween the owner and the Secretary of Agriculture, and the areas are open to the general public for recreational purposes.

Sec. 2. The area described as follows is hereby designated for establishment as the Pictured Rocks National Lakeshore:

Beginning at a point in the city of Munising, Michigan, in section 36, lot 3, township 47 north, range 19 west, at the southeast corner of Sand Point Addition lot 1;

thence westward along the southerly line of the Sand Point Addition lot 1 to a point on the mean waterline on the easterly shore of South Bay (Grand Island Bay);

thence running westward for a distance of one-quarter of a mile to a point in South Bay one-quarter of a mile offshore and westward of the said mean waterline on the easterly shore of South Bay;

thence turning and running generally northward and eastward along a line in South Bay, Grand Island Harbor, and Lake Superior one-quarter of a mile offshore of and parallel with the mean waterline on the shores of South Bay, Grand Island Harbor, and Lake Superior within township 47 north, range 19, 18 west; township 48 north, range 18, 17, 16 west; township 49 north, range 16, 15, 14 west, a distance of approximately 39 miles to a point in Lake Superior one-quarter of a mile offshore and northward of a point on the mean waterline on the southerly shore of Lake Superior on the north-south quarter section line of fractional section 1, township 49 north, range 14 west;

thence running one-quarter of a mile southward to the said point on the mean waterline on the southerly shore of Lake Superior and continuing southward along the north-south quarter section lines of fractional section 1 and section 12, said township and range, to the southeast corner of northeast quarter northwest quarter, said section 12;

thence westward along the north one-sixteenth latitudinal section line to the southwest corner of the northwest quarter northwest quarter, said section 12;

thence southward along west section lines of said section 12 and section 13, said township and range, to a point 400 feet northward of the southwest corner of said section 13;

thence eastward along a line 400 feet northward of and parallel with the south section line of said section 13 to a point on the east section line of said section 13 at State Highway M77;

thence southward along the east section lines of said section 13 and section 24, said township and range, to a point 400 feet southward of the northeast corner of said section 24 at State Highway M77;

thence westward along a line 400 feet southward and parallel with the north section lines of said section 24 and section 23, said township and range, to a point on the north-south quarter section line of said section 23;

thence southward along the north-south quarter section line to the south quarter section corner of said section 23;

thence westward along the south section line of said section 23 to the northeast corner section 27, said township and range;

thence southward along the east section line said section 27 to the southeast corner of northeast quarter southeast quarter said section 27;

thence westward along the south one-sixteenth latitudinal section lines of said section 27 and section 28 and 29, said township and range, to the north-south quarter section line of said section 29 at the southwest corner of the northwest quarter southeast quarter, said section 29;

thence northward on the north-south quarter section line to the south quarter section corner section 20, said township and range;

thence westward along the south section lines section 20 and 19, said township and range, to the southeast corner section 24, township 49 north, range 15 west, and continuing westward along the south section lines, said section 24 and sections 23, 22, and 21 to the northeast corner section 29, said township and range;

thence southward along the east section lines said section 29 and section 32, said township and range, and continuing southward along the east section lines sections 5 and 8, township 48 north, range 15 west, to the east quarter section corner said section 8;

thence westward along the east-west quarter section lines of said section 8 and section 7 to the west quarter section corner said section 7, said township and range;

thence northward along the west section lines said section 7 and section 6, said township and range, to the east quarter section corner section 1, township 48 north, range 16 west;

thence westward along the east-west quarter section line of said section 1 to the east quarter section corner section 2, said township and range;

thence southward along the east section lines said section 2 and sections 11 and 14 to the east quarter section corner said section 14, said township and range;

thence westward along the east-west quarter section line to the southwest corner of southeast quarter northwest quarter of said section 14;

thence southward along the west one-sixteenth meridional section lines of said section 14 and section 23, said township and range, to the southeast corner of northwest quarter northwest quarter said section 23;

thence westward along the north one-sixteenth latitudinal section lines of said section 23 and section 22, said township and range, to the east section line of section 21, said township and range;

thence southward along the east section line of said section 21 to the southeast section corner;

thence westward along the south section line of section 21 to the northeast corner of section 29, said township and range;

thence southward along the east section line of said section 29 to the east quarter section corner;

thence westward along the east-west quarter section lines of said section 29 and section 30 to the center of said section 30, said township and range;

thence southward along the north-south quarter section line of said section 30 to Adams Trail CO 637;

thence running southwestward along Adams Trail CO 637 to an intersection with the south section line section 1, township 47 north, range 17 west;

thence westward along the south section lines said section 1 and sections 2 and 3 to the northeast corner section 9, said township and range;

thence southward along the east section lines of said section 9 and section 16 to the east quarter section corner, said section 16, said township and range;

thence westward along the east-west quarter section lines said section 16 and section 17 to the west quarter section corner said section 17, said township and range;

thence northward along the west section line of said section 17 to the southeast corner section 7, said township and range;

thence westward along the south section lines of said section 7, said township and range, and sections 12 and 11, township 47 north, range 18 west, to the northeast corner of the northwest quarter northeast quarter section 14, said township and range;

thence southward along the east one-sixteenth meridional lines of said section 14 and sections 23, 26, and 35 to the southeast corner of the southwest quarter southeast quarter said section 35, said township and range, at State Highway M94;

thence westward along the south section line of said section 35 to the southwest section corner at State Highway M94;

thence northward along the west section lines of said section 35 and section 26 to the southeast corner section 22, said township and range;

thence westward along the south section line of said section 22 to the south quarter section corner;

thence northward along the north-south quarter section line of said section 22 to the section center;

thence westward along the east-west quarter section lines of said section 22 and section 21 to the east quarter section corner section 20, said township and range;

thence southward along the east section line of said section 20 to the southeast section corner;

thence westward along the south section line of said section 20 to the north quarter section corner of section 29, said township and range;

thence southward along the north-south quarter section line of said section 29 to the south quarter section corner;

thence westward along the south section line of said section 29 to the northeast corner of section 31, said township and range;

thence southward along the east section line of said section 31 to State Highway M94;

thence running generally westward and southward along State Highway M94 to the southeast corner of section 36, township 47 north, range 19 west;

thence westward along State Highway M94 in section 36, said township and range, to the southeasterly corner of the city of Munising parcel of land (bounded in part by Bullivant Street and State Highway M94);

thence leaving State Highway M94 and running generally northward along the easterly lines of the said city of Munising parcel of land to its northerly corner on the easterly line of Bullivant Street;

thence northward along the said easterly line of Bullivant Street to a point of intersection with the northerly line of Salem Street (paper street);

thence westward along the said northerly line of Salem Street to a point of intersection with the easterly line of Sand Point Road;

thence generally northward and eastward along the said easterly line of Sand Point Road to a point on the southerly line of Sand Point Addition lot 1 produced eastward;

thence westward crossing Sand Point Road along the said southerly line of Sand Point Addition lot 1 produced eastward back to the point of beginning, the said southeast corner of Sand Point Addition lot 1.

The tract as described contains approximately 75,000 acres of land and water.

Sec. 3. As soon as practicable after the date of enactment of this Act and following the acquisition by the Secretary of an acreage within the boundaries of the area which in his opinion is efficiently administrable for the purposes of this Act, he shall establish the Pictured Rocks National Lakeshore by publication of notice thereof in the Federal Register.

Sec. 4. (a) There is hereby established a Pictured Rocks National Lakeshore Advisory Commission. Said commission shall terminate ten years after the date the lakeshore is established pursuant to this Act.

(b) The commission shall be composed of five members, each appointed for a term of two years by the Secretary, as follows:

(1) Two members to be appointed from recommendations made by the county in which the recreation area is situated;

(2) Two members to be appointed from recommendations made by the Governor of the State of Michigan; and

(3) One member to be designated by the Secretary.

(c) The Secretary shall designate one member to be chairman. Any vacancy in the commission shall be filled in the same manner in which the original appointment was made.

(d) A member of the commission shall serve without compensation as such. The Secretary is authorized to pay the expenses reasonably incurred by the commission in carrying out its responsibilities under this Act on vouchers signed by the chairman.

(e) The Secretary or his designee shall, from time to time, consult with the commission with respect to the matters relating to the development of the Pictured Rocks National Lakeshore.

Sec. 5. In administering the lakeshore, the Secretary shall permit hunting and fishing on lands and waters under his jurisdiction in accordance with the laws of Michigan. The Secretary and the Michigan Department of Conservation jointly may designate zones and establish periods where and when no hunting shall be permitted for reasons of public safety, administration, or public use and enjoyment. The Secretary shall, after consultation with such department, issue regulations, consistent with this section, as he may determine necessary to carry out the purposes of this section.

Sec. 6. (a) The administration, protection, and development of the Pictured Rocks National Lakeshore shall be exercised by the Secretary of the Interior, subject to the provisions of the Act of August 25, 1916 (39 Stat. 535; 16 U.S.C. 1 and the following), as amended and supplemented, relating to the areas administered and supervised by the Secretary of the Interior through the National Park Service; except that authority otherwise available to the Secretary for the conservation and management of natural resources may be utilized to the extent he finds such authority will further the purposes of this Act.

(b) In the administration, protection, and development of the area, the Secretary shall prepare and implement a land and water use management plan, which shall include specific provision for—

(1) development of facilities to provide the benefits of public recreation, including a scenic shoreline drive;

(2) protection of scenic, scientific, and historic features contributing to public enjoyment; and

(3) such protection, management, and utilization of renewable natural resources, including forage and forest products, as in the judgment of the Secretary is consistent with, and does not significantly impair public recreation and protection of scenic, scientific, and historic features contributing to public enjoyment.

Sec. 7. Nothing in this Act shall be construed as prohibiting any governmental jurisdiction in the State of Michigan from assessing taxes upon any interest in real estate retained under the provisions of section 10 of this Act to the owner of such interest.

Sec. 8. (a) The Secretary is authorized, subject to the provisions of section 9, including the limitations on condemnation of this Act, to acquire by donation, purchase with donated or appropriated funds, condemnation, transfer from any Federal agency, exchange, or otherwise, the land, waters, and other property, and improvements thereon, and any interests therein within the boundary hereinabove described.

(b) In exercising his authority to acquire property under this Act, the Secretary shall give immediate and careful consideration to any offer made by an individual owning property within the lakeshore to sell such property to the Secretary. In considering any such offer, the Secretary shall take into consideration any hardship to the owner which might result from any undue delay in acquiring his property.

(c) Any property or interests therein, owned by the State of Michigan, or any political subdivisions thereof, may be acquired only with the concurrence of such owner. Notwithstanding any other provisions of law, any Federal property located within such area may, with the concurrence of the agency having custody thereof, be transferred without consideration to the administrative jurisdiction of the Secretary for use by him in carrying out the provisions of this Act.

(d) The Secretary shall make every reasonable effort to acquire property through negotiation and purchase. Where agreement is not reached and condemnation proceedings are filed, the owner of such property shall be paid the fair market value thereof as determined in said judicial process.

(e) In any case where the owner and the United States agree, the power of condemnation may, notwithstanding any other provisions of this Act, be used as a means of acquiring a clear and marketable title, free of any and all encumbrances.

(f) In exercising his authority to acquire property by exchange, the Secretary may accept title to non-Federal property located within the area designated for inclusion, and convey to the grantor of such property any federally owned property under the jurisdiction of the Secretary within such area. Properties so exchanged shall be approximately equal in value: *Provided*, That the Secretary may accept cash from or pay cash to the grantor in such an exchange in order to equalize the values of the properties exchanged. The Secretary shall report to the Congress on every exchange carried out under the authority of this Act within thirty days from its consummation, and each such report shall include a statement of the value of the properties involved and of any case in which equalization payments are made or received.

Sec. 9. (a) The authority of the Secretary of the Interior to acquire property by condemnation shall be suspended with respect to any property within the following described areas during all times when such property is (1) being used for the growing and harvesting of timber on a sustained-yield basis pursuant to an agreement entered into by the owner thereof and the Secretary of Agriculture, and (2) open to the general public for the purposes of camping and, subject to the provisions of section 5, hunting and fishing.

(b) Such agreement shall provide that the requirements for the management of such lands shall be neither more nor less stringent than the management imposed on publicly owned national forest lands of comparable management classification. The Secretary of Agriculture, acting through the Forest Service, shall be responsible for administering and enforcing any such agreement referred to in subsection (a) (1) and shall notify the Secretary of the Interior if such lands are used in a way which fails to conform to such agreement.

(c) The Secretary may terminate the suspension of his authority to condemn property referred to in subsection (a), if (1) such property is used in a way which fails to conform to the agreement referred to in subsection (a) (1), or (2) such property is not open to the general public as provided in subsection (a) (2). Notice in writing stating the basis for the Secretary's intention to exercise his power of termination must be given the owner sixty days prior to any exercise of this power. Discontinuance of such use, or the opening of such property to the general public for camping, hunting, and fishing, as the case may be, shall reinstate the suspension of the Secretary's authority to condemn. Willful, continued, or repetitious abuse of the sixty-day period of notice involving the same property shall relieve the Secretary of the

responsibility of giving further sixty days' notice in terminating the suspension of his authority to condemn such property.

Sec. 10. (a) Any owner or owners of improved property on the date of its acquisition by the Secretary may, as a condition to such acquisition, retain, for a term of not to exceed twenty-five years, or for a term ending at the death of such owner or owners, the right of use and occupancy of such property for any residential purpose which is not incompatible with the purposes of this Act or which does not impair the usefulness and attractiveness of the area designated for inclusion. The Secretary shall pay to the owner the value of the property on the date of such acquisition, less the value on such date of the right retained by the owner. Where any such owner retains a right of use and occupancy as herein provided, such right during its existence may be conveyed or leased for noncommercial residential purposes in accordance with the provisions of this section.

(b) Any deed or other instrument used to transfer title to property, with respect to which a right of use and occupancy is retained under this section, shall provide that such property shall not be used for any purpose which is incompatible with purposes of this Act, or which impairs the usefulness and attractiveness of the Area and if it should be so used, the Secretary shall have authority to terminate such right. In the event the Secretary exercises his power of termination under this subsection he shall pay to the owner of the right terminated an amount equal to the value of that portion of such right which remain unexpired on the date of such termination.

Sec. 11. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

The list of highlights of the bill presented by Mr. HART are as follows:

HIGHLIGHTS OF NEW PICTURED ROCKS NATIONAL LAKESHORE BILL

1. Sixty-seven thousand acres of scenic and historic Lake Superior shoreline developed as a national lakeshore area by the Department of the Interior.

2. Local and State advisory committees to participate in the development of the lakeshore.

3. Scenic lakeshore highway as a key part of the area development plan for a lakeshore drive as proposed by the Michigan Highway Department and endorsed by the Tourist Industry Relations Committee of the Michigan House of Representatives.

4. Park entrances at Grand Marais and Munising, the park not to compete with tourist services and commercial developments under private enterprise in these existing communities.

5. Owners of timberlands in designated zones of less scenic and recreation value enabled to continue sustained yield timber production under management plan supervised by the National Forest Service. Agreement on such management plan automatically suspends the Federal Government's power to condemn private forest holdings. Such holdings to remain on local tax rolls.

6. Hunting and fishing to be permitted under Michigan law and regulated under cooperative agreements between the Michigan Conservation Commission and the Department of the Interior.

7. Acreage in proposed boundaries presently in State or local public ownership to be transferred to Federal Government only by agreement of present public owners.

8. Along with scenic shore drive, park development to include public camp sites, hiking trails, interpretive programs in the wildlife, forests, and geology of the area, and access trails to points of special interest.

9. Direction to the Secretary of the Interior to acquire land wherever possible in a

manner which will give immediate consideration to an offer to sell by an individual property owner and to minimize the use of condemnation by reliance whenever possible on negotiation, purchase, and exchange.

10. Owners of improved property within the park able to sell to the Government and retain use of such property for their lifetime.

PROTECTION OF PUBLIC HEALTH BY REGULATION OF HABIT-FORMING BARBITURATE AND AMPHETAMINE DRUGS—AMENDMENTS

Mr. WILEY. Mr. President, I submit amendments to S. 1939, a bill which I cosponsored with the Senator from Connecticut [Mr. Dodd] on May 23, 1961, a bill to protect the public health by regulating the manufacture, compounding, processing, and distribution of habit-forming barbiturate and amphetamine drugs.

Mr. President, I received numerous communications from pharmacists in my State of Wisconsin relative to certain provisions in the above-mentioned bill which were felt by these gentlemen to be infringing certain existing rights accruing to pharmacists as such under existing State law and Federal practice. Having considered the matter carefully, I am now introducing amendments to S. 1939 which I ask to be printed and appropriately referred to the proper committee.

The PRESIDENT pro tempore. The amendments will be received, printed, and appropriately referred.

The amendments were referred to the Committee on Labor and Public Welfare.

STUDY BY THE VETERANS' ADMINISTRATION INTO THE PROBLEMS OF VETERANS WHO ARE ELDERLY, CHRONICALLY ILL, OR OTHERWISE HANDICAPPED—AMENDMENTS

Mr. HART. Mr. President, the Federal Government long has recognized its obligation to the disabled veterans of this country, men and women who have contributed greatly to the preservation of our freedom. As a part of this obligation, and beginning in 1888, the Government has provided matching funds for the care of disabled veterans in State homes. At present, 28 States maintain such homes.

The use and value of these homes will become increasingly important in the years ahead as the age of each veteran advances, and their numbers swell.

We cannot expect existing facilities to be adequate in the years ahead, and we should not be caught unprepared as future requirements materialize. Provision must be made for the repair and modernization of both domiciliary and hospital facilities, and surveys are required in areas where no State homes presently exist.

It is known that the Veterans' Administration is considering the conversion of its domiciliary facilities to the treatment and rehabilitation of service-connected veterans. This heightens the need for careful evaluation of existing State homes, in order that the needs of the

veterans not adequately provided for by the Veterans' Administration facilities can be met.

Such an evaluation would be particularly significant in connection with a study of programs for the rehabilitation and cure of those veterans who otherwise may require prolonged care from the Veterans' Administration.

Therefore, I submit, for appropriate reference, an amendment to House Joint Resolution 73, to authorize a further study, at an additional maximum cost of \$300,000 of the needs of existing State homes, and to survey States where no State homes exist at this time.

The PRESIDENT pro tempore. The amendment will be received, printed, and appropriately referred.

The amendment was referred to the Committee on Labor and Public Welfare.

AUTHORITY OF NATIONAL BANKS TO UNDERWRITE AND DEAL IN CERTAIN SECURITIES—ADDITIONAL COSPONSOR OF BILL

Mr. CLARK. Mr. President, I ask unanimous consent that, at the next printing, the name of the Senator from Indiana [Mr. HARTKE] be added as cosponsor of S. 3131, to assist cities and States by amending section 5136 of the Revised Statutes, as amended, with respect to the authority of national banks to underwrite and deal in securities issued by State and local governments, and for other purposes.

The PRESIDENT pro tempore. Without objection, it is so ordered.

EXTENSION OF TIME FOR GRANTING NATIONAL SERVICE LIFE INSURANCE TO CERTAIN VETERANS—ADDITIONAL COSPONSOR OF BILL

Mr. LONG of Louisiana. Mr. President, I ask unanimous consent that at the next printing of the bill (S. 3289) to amend title 38, United States Code, to permit, for 1 year, the granting of national service life insurance to veterans heretofore eligible for such insurance, the name of the Senator from North Dakota [Mr. BURDICK] be added as a cosponsor.

The PRESIDENT pro tempore. Without objection, it is so ordered.

NOTICE OF RECEIPT OF NOMINATION BY COMMITTEE ON FOREIGN RELATIONS

Mr. HUMPHREY. Mr. President, on behalf of the chairman of the Committee on Foreign Relations [Mr. FULBRIGHT], I desire to announce that yesterday the Senate received the nomination of William C. Battle, of Virginia, to be Ambassador to Australia.

In accordance with the committee rule, this pending nomination may not be considered prior to the expiration of 6 days of its receipt in the Senate.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, and so

forth, were ordered to be printed in the RECORD, as follows:

By Mr. GOLDWATER:

Address delivered by himself before the American Iron and Steel Institute in New York City on May 24, 1962.

By Mr. ANDERSON:

Article entitled "To Save the Wonder of the Wilderness," written by Secretary of the Interior Stewart L. Udall and published in the New York Times magazine of May 27, 1962.

ADDRESS BY DR. JAMES E. EAGAN TO NATIONAL CONFERENCE OF CHRISTIANS AND JEWS

Mr. DIRKSEN. Mr. President, on May 10, in Chicago, the National Conference of Christians and Jews, through Dr. James E. Eagan, of New York, made its highest award to the Most Reverend Bernard J. Sheil, for distinguished service in the field of human relations.

On that occasion Dr. Eagan delivered a very notable address, which I ask unanimous consent to have printed in the RECORD, as part of my remarks.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

PRESENTATION OF THE HIGHEST AWARD OF THE NATIONAL CONFERENCE OF CHRISTIANS AND JEWS BY DR. JAMES E. EAGAN OF NEW YORK GIVEN TO HIS EXCELLENCY, THE MOST REVEREND BERNARD J. SHEIL, D.D., TITULAR ARCHBISHOP OF SELGE FOR DISTINGUISHED SERVICE IN THE FIELD OF HUMAN RELATIONS, PICK-CONGRESS HOTEL, CHICAGO, ILL., MAY 10, 1962

There is a myth among Catholics that monsignor was a person of great physical prowess who, but for the call to the priesthood, would have been a great Red Sox or Cub or Yankee star. There is another myth that the Catholic priest in America is a kind of going-my-way character ready to burst into song at any minute or to cope with nuns who cannot restrain themselves from stepping up to homeplate and belting a home run. Other myths picture the priest as a pilot, a poet, a sort of clerical Walter Mitty who does all things well with a minimum of effort. When you have just about decided that this popular image is false, you run across the career of Archbishop Sheil. Here, as one person, you have the no-hit-game pitcher who turned down a chance to become a big league player in order to become a priest. Here, you have a priest who became a pilot and was persuaded with some effort not to become a parachutist. Here you have a priest who can even cope with nuns.

None of these accomplishments, however, tell the real story of Archbishop Sheil. The all-encompassing renaissance nature of Archbishop Sheil would mean little, but for one thing: his belief in the dignity and sanctity of the individual, his realization that every human being is a child of God endowed with natural inalienable rights regardless of race, color, or creed. In Archbishop Sheil is contained the quintessence of Judeo-Christian civilization.

It is for this reason that Archbishop Sheil saw that basic issues with such clairvoyance. Where others stumbled, delayed, found good and ample reason why they should not help the downtrodden, the poor, the oppressed, Archbishop Sheil simply did what every clergyman should have been doing all along. Father Dunne has remarked, for example, that the churches should not have awaited the 1954 Supreme Court decision to proclaim their interest in interracial justice. Moses did not await action by the civil government before he made known the Ten Commandments.

Archbishop Shell showed by deeds long before the Supreme Court decision that he was interested in human beings as children of God. This marked him as "a man ahead of his times" and therefore received in some quarters with some suspicion. There is no doubt but that in some circles, it is much more fashionable to be just a bit behind the times, to wait for a movement to take hold and become established before espousing it.

Archbishop Shell insisted on being 50 years ahead of his time. There can be little doubt but that his great accomplishment was to make the Catholic Church in America part of the community. Archbishop Shell fused Americanism and catholicism. Before Archbishop Shell, it was quite customary to regard catholicism as something foreign, as a religion which could not flourish in the soil of American democracy. Before Archbishop Shell, Catholics had a "minority complex," they lived pretty much in their own Catholic ghetto, content to let well enough alone.

Catholicism in America has never been quite the same since Archbishop Shell began his activities. Take the establishment of Catholic scouting. Father Ong has remarked that Catholics were somehow or other of the impression that God created the great outdoors for Protestants and Jews. Archbishop Shell's interest in Catholic scouting brought Catholics into a nationwide movement in American life. His foundation of the CYO gave Catholic youth an opportunity to demonstrate that Catholic youth sound in body and mind, had a real contribution to make to American life—all this long before a President of the United States became an advocate of the pushup.

It was Archbishop Shell who brought Catholic labor into the mainstream of the union movement in the United States. Here again his belief in the dignity of the individual forced him to be ahead of his time. Yet, had Archbishop Shell not acted as he had done in encouraging the development of unionism among Catholics, unionism in America might have taken a completely different turn.

Catholics today are assuming a responsible role in the intellectual and cultural life of the United States. Again, Archbishop Shell through the Benet Library, Lewis College and the Shell School made the Catholic intellectual respectable and a vital part of American life. The Shell Clubs in colleges and universities strengthened and deepened this movement.

In all this, Archbishop Shell never hesitated to speak forthrightly against the charlatans who thought some kind of dictatorship and censorship should become part of the American scene. In some cases, he was assailed as "Rabbi" Shell (a title in which he glories), even spat upon, but Archbishop Shell's devotion to the American ideal and the essence of Catholicism would not permit him to waver. And in all this, Archbishop Shell never forgot his primary obligation as a priest, as a pastor, as the shepherd of his flock. His care for the poor, the victims of slum conditions, the disabled, the handicapped, showed the best of a humanitarian spirit. "Whatever you do unto the least of these, you do unto me" has been the guiding character of all Archbishop Shell's work.

Looking back, Archbishop Shell's contribution to the life of Chicago, the State of Illinois, the United States, has become a matter of history. To have taken the vital power of a great religion and made it part of American life without the compromise of religious principles is one of the greatest accomplishments in the history of America. And he has done all this by virtue of his belief in the goodness of man, in the brotherhood of man under the Fatherhood of God.

SHOWING OF HEMINGWAY'S "ADVENTURES OF A YOUNG MAN" AT CZECHOSLOVAK FILM FESTIVAL

Mr. DIRKSEN. Mr. President, this year, at the International Film Festival in Czechoslovakia, the American film entry will be Hemingway's "Adventures of a Young Man."

It will be recalled that Hemingway died last year, on July 2. I knew him in a very small way; but he was a midwesterner, in a sense, before he gravitated elsewhere in the United States and to other countries.

The motion picture of Hemingway's "Adventures of a Young Man"—with, I understand, an almost supercast—is quite a work of art. It also tells a great story, and probably depicts the literary quality of the things to which Hemingway was so completely endeared, through the character he created, Nick Adams.

So, Mr. President, in connection with this festival, I ask unanimous consent to have printed in the RECORD, in connection with my remarks, a statement by me on this subject.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR DIRKSEN

When Ernest Hemingway died on July 2, 1961, the entire world joined in mourning this most celebrated of modern American authors. In many ways his work covered all of the aspects of growth our country has experienced through the first 50 years of the 20th century. His cultural contribution to the American scene was far reaching. It is fitting that in this day when our cultural heritage is enjoying a renaissance, that this author's legacy should be noted.

From his Nick Adams' short stories through his major novels, including "The Sun Also Rises," "A Farewell to Arms," "For Whom the Bell Tolls," and "The Old Man and the Sea," Mr. Hemingway richly explored our times and the courageous men and women who lived them. We can be grateful and proud that he received during his lifetime the two highest awards the work of any writer can be awarded: the Pulitzer and Nobel Prizes for literature.

Now, another kind of tribute is being paid to the great talent of this gifted writer. On June 6, Jerry Wald's motion picture production of "Hemingway's Adventures of a Young Man," will be the sole American entry in the Czechoslovakian film festival to be held in Karlovy Vary. This is the first American motion picture to be shown at a film festival behind the Iron Curtain and was chosen by the State Department because it mirrors the American way of life. This motion picture is based on the author's short stories involving perhaps the truest Hemingway hero of all, Nick Adams, because these stories were based intimately on his own early experiences as a young man growing up in the Middle West and encountering his first taste of war as an ambulance driver in Italy during World War I.

Mr. Hemingway eloquently expressed his feelings about a writer's formative years and how important they are to his writing, and I quote:

"In the place where you are born and where you grow up, you begin to learn the things that all men must know. They are the simplest things, the basic things and they will shape your entire life. You cannot change them or defy them. They are as fixed as the color of your eyes. Although

they are the very simplest things, it takes a man's life really to know them. And if you are to be a writer, the stories that you make up will be true in proportion to the amount of this knowledge of life that you have: so that when you make something up it is as it truly would be."

As it truly would be. That is what has been captured on the screen in the motion picture, "Hemingway's Adventures of a Young Man." There is nostalgia in the film because it recreates the period of American innocence just prior to World War I. We see the young Nick Adams, so like young Hemingway himself, being taught to hunt and fish in the woods of Michigan; we experience with him his encounters and discoveries about life when he runs away from home * * * and finally, we go with him into the battlefield of the First World War, and return to his home town, now grown to a man.

A distinguished cast including Richard Beymer, who portrays the title role; Paul Newman, Susan Strasberg, Arthur Kennedy, Jessica Tandy, Dan Dailey, Fred Clark, Eli Wallach, and Ricardo Montalban. Martin Ritt directed it and A. E. Hotchner received Mr. Hemingway's approval of the chore before his death and we therefore know that it is truly as the author would have wanted it. It is very sad that he did not live to see this most personal of his works brought to life on the screen.

As a literary work these stories have revealed to thousands of readers the experiences that molded the youthful Hemingway into a great writer and remarkable human being. Now, as a motion picture, the universal truths and understanding embodied in the work will reach an even greater world audience, a fine tribute indeed to this great artist.

ADDRESS BY SENATOR HRUSKA AT THE HOMESTEAD ACT CENTENNIAL

Mr. HICKENLOOPER. Mr. President, the Homestead Centennial is being observed with especial acclaim in Beatrice, Gage County, Nebr., this year. The Homestead National Monument of America, on the famous Daniel Freeman "First Homestead" farm, is located only a few miles from Beatrice.

The formal opening event of these various commemorative events occurred on May 20 in Chautauqua Park, in Beatrice, when there occurred the Homestead commemorative-stamp ceremony. The pavilion which was the site of this ceremony is a historic one, indeed, having its origin in the days when Chautauqua was the center and core of civic, patriotic, and cultural events of active communities the Nation over.

The first day of issue for the homestead commemorative stamp was observed on this day. This is always a day of tremendous interest and anticipation on the part of all stamp collectors and stamp lovers. They had everything in their favor on that occasion. The program had as its master of ceremonies Mr. Forrest E. Wilke. The opening was marked by the Beatrice Senior High School band concert, under the direction of Louis A. Burkel; there was an invocation, and later a benediction, by Pastor Otto Fangmeyer, of St. John's Lutheran Church. There were welcoming speeches by Hon. W. W. Cook, Sr., mayor of the city of Beatrice, and by Gov. Frank B. Morrison.

Howard W. Baker, Regional Director of National Park Service, told of his agency's part in preserving for posterity the historical place of the homestead in the Nation's development. Beatrice Postmaster Leigh F. Coffin introduced Postmaster General J. Edward Day, who paid tribute to the homestead, in an address which already has been printed in the CONGRESSIONAL RECORD.

It was the privilege of the senior Senator from Nebraska [Mr. HRUSKA] then to address the assembled people; and, Mr. President, I ask unanimous consent that the text of his speech be printed in the RECORD at the conclusion of my remarks.

Let me say that I should like to commend the city of Beatrice and the county of Gage for engaging in the program of commemoration over these several weeks in 1962 on behalf of the National Homestead Act, which became law a hundred years ago. Few acts have left their characteristic and historical impact upon the Nation so indelibly and so wholesomely as has this law. All of the Middle West was very directly and heavily affected, but so was the entire Nation.

This law exerted an influence for good in many directions, notwithstanding some shortcomings which appeared from time to time. It did much to establish the desirable pattern of family farming which prevails in the great Mississippi Valley even in this day of expanding farm size. America has been the better for all of that.

In a recent Christian Science Monitor article, Dorothea Kahn Jaffee wrote of this period in history:

The verb "to homestead," which has come into the language, has a good American ring. And a farmer whose grandparent acquired the core of his farm by proving a claim and clearing the land is proud to tell you about it.

This century of the Homestead Act is a vital part of the American story.

To these sentiments, I can wholeheartedly subscribe.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

REMARKS OF SENATOR ROMAN L. HRUSKA, OF NEBRASKA, AT THE HOMESTEAD CENTENNIAL STAMP CEREMONY, BEATRICE, NEBR., SUNDAY, MAY 20, 1962

More than half a century ago, William Jennings Bryan stood on a spot not far from here and paid a fitting tribute to the homesteaders:

"The pioneers endured hardships and made their homes on the lonely prairie. They were men and women who gave the world more than they took from it."

History can ask no more of any people and we, their beneficiaries, do right to remember their sacrifice and to aspire to be worthy of it.

Our forebears who opened the Western frontier and settled on the new land had little to go on but courage and individual initiative. But it was enough. They encountered hostile bands of Indians. They learned the virgin sod would yield only with back-breaking labor. They faced privation and threatening elements. Yet their faith was sustained, unbroken. And they laid the groundwork for a great Nation.

Historians recognize the Homestead Act as an inspired piece of legislation for the

settlement of the public lands. It was copied from no other nation. It was originally and distinctively American and remains a monument to its originators.

The homesteader was an individualist, fiercely jealous of his liberty and deeply confident about his opportunity. He claimed for himself only that which by his own labors he could sustain. His westward wagon sometimes bore signs of "Pike's Peak or Bust." For some the struggle was too great; they failed and returned to the East, their tattered signs changed to "Busted by Gosh."

In the century since Abraham Lincoln signed the Homestead Act into law, 1,622,107 homesteaders have claimed 270,216,874 acres, cultivated and improved their tracts, built homes and "proved up" their lands, thus setting off a chain reaction of remarkable economic, social and political developments across the broad face of America.

The Homestead Act has been called the most important legislation passed by the Congress in the 19th century, yet it is a surprising fact that more than 70 percent of all successful homesteading was done in the 20th century. The year 1913, in which nearly 11 million acres were homesteaded, represents the high point in the 100-year history of the law.

While homesteading is largely a receding memory in the colorful past, it nonetheless is a part of today. Figures on file with the Bureau of Land Management show that last year 438 claims were filed for 57,000 acres. Twelve of these were here in Nebraska.

These claims were filed under a law which perhaps overshadows any other single act in shaping the democratic nature of America. Plantations and vast land holdings were becoming the order of the day in mid-19th century. Then, by a single act, the Nation changed course and made possible the development of small, family-sized farms which remain the economic and the sociological backbone of America.

Consider what the course of history might have been without the Homestead Act. The West might have lost the rich culture brought over from "the old country." We might not today possess "the breadbasket of the world." And of equal importance, we may have loosened our grasp on the precious individualism and love of liberty which today chiefly distinguishes us from our adversaries.

Mr. Chickering's design for the homestead stamp captured the spirit of those who carved their homes from the prairie. The bleak and wintry sky, the treeless horizon and the lonely terrain portray the harsh environment in which the homesteader and his family struggled.

I count it a privilege to have had a part, along with my Nebraska colleagues in the Congress, in obtaining official and formal recognition of the Homestead Act Centennial and in the issuance of the stamp. But the citizens of Beatrice who have taken such personal interest in the project and pursued its course so diligently for so long truly deserve our thanks and applause.

As we observe this centennial and as our minds reconstruct what life was like for those who mastered the rugged existence on the prairie, let us look beyond the mere curiosities of sod houses and wooden plows, the wagon wheels and lanterns and the other relics of the pioneer age. Let us seek a deeper meaning, not only of the Homestead legislation, but in what made it possible.

America is the great Nation it is today because the men and women of a century ago had the personal courage to settle the new land and to stay close to it.

The land is the strength of America. With the sole exception of our people themselves, soil and water are our most precious resources. Given the wisdom to use them well, we shall continue our remarkable agricultural progress. While we are engaged in

crucial contests with our adversaries in science, technology and engineering, we are far and away the leaders in agricultural production. Mr. Khrushchev himself admits this even to the Russian people.

Our system makes it possible for less than a tenth of our labor force to produce food and clothing for all our 185 million people and have enough left over for another 25 million.

Soil and water are vital factors here, together with a favorable climate. By this I mean not only the weather but another kind of climate—a climate of freedom. A climate in which individual enterprise and personal initiative can develop and flourish.

This climate of freedom is threatened from time to time. Today it is threatened by an ever-burgeoning government which works to frustrate freedom by preempting the right of the rural areas, the city hall, the county courthouse and the State capitol to make decisions which should be handled at those levels. Instead, increasingly those decisions are being made and even more sought in Washington.

The right to make decisions is the essence of freedom. Lacking that right, lacking the right and power to make a choice, there is no liberty for the citizen.

Therefore, as our thoughts today are with the pioneers, and with a soldier named Daniel Freeman and his Commander in Chief President Abraham Lincoln, who led our Nation in war to win a just and lasting peace, let us rededicate ourselves to the cause of liberty. Let us safeguard this Government of the people and preserve the right of the individual to pursue the blessings of liberty as he himself may choose.

It is in that way that we will realize the larger intent and gather the true fruit of the Homestead Act.

VICTORY OR "ACCOMMODATION" TO THE COMMUNISTS

Mr. GOLDWATER. Mr. President, at long last, the State Department has officially outlined its objection to the word "victory" in connection with the greatest struggle this Nation and the free world has ever found itself engaged in. Astounding as it is, the whole idea of winning over the forces that have already enslaved one-third of the world is so far from the Government's announced policy that it cannot even be mentioned publicly by anyone remotely connected with this administration.

I wonder how many of the Members here today ever expected to live long enough to be told by a Department of the U.S. Government that the word "victory" "has a militaristic and aggressive ring" which implies an "all-or-nothing approach leaving no room for accommodation."

Well, this is exactly what the Department of State, in a communication from Under Secretary George W. Ball, has informed the Senate subcommittee investigating charges that military leaders have been "muzzled" in their attempts to warn against the menace of communism. It amounts to a white paper on appeasement. And it is so far from what this country has always stood for and what the American people want it to stand for today that it deserves the closest attention of this body and of the entire population of the free world.

Since when have men who stand for freedom been afraid to sound aggressive when their sworn enemy is out to enslave the entire world? Since when

have men who cherish liberty been afraid of words which might imply military strength at a time when strength is the only thing their enemy understands? Since when have men who love justice made it a matter of national policy to seek accommodation with the forces of tyranny and oppression?

Mr. President, if we erase the word "victory" from our official cold war vocabulary, how long will it take us to jettison such words as "honor" and "justice" and "freedom"? How long do you suppose it will take the Communists to catch on to the idea that our national purpose is no longer the defense of freedom but the accommodation of slavery?

I cannot help but wonder why this administration is so bent on accommodating the Communists. It certainly is not because Mr. Khrushchev and Mao Tse Tung have been accommodating us. Maybe the State Department thinks what is going on today in Laos is accommodation. Maybe the main point of Communist accommodation is thought to be in Cuba, where the buildup goes on for aggression against the Western Hemisphere.

Any way you slice it, Mr. President, so long as the Government of the United States follows a policy which aims at anything but victory we are toying with defeat. There is no cozy twilight zone of accommodation and peaceful coexistence where we can rest while the Communists go on pushing their design for world domination. The Communists have shown us this time and time and time again. They taught us the lesson in Korea. They taught us the lesson in Cuba. They are teaching us the lesson right now in southeast Asia.

Sometime we are going to have to wake up to the idea that the Communists do not want to accommodate us. They want us to accommodate them on their terms and in every area of the world. They want accommodation in Berlin. They want accommodation in Laos. They want accommodation in the Congo. And we are so bent on providing accommodation that we will not even permit the use of the word "victory" because this word—through some fantastic brand of State Department reasoning—might lessen the room for accommodation.

Mr. President, if this administration and the State Department are afraid of an all-or-nothing approach in the struggle between freedom and slavery, it is worthy of note that the Communists have no such timidity. There is a worldwide design. There is an all-out approach which feeds on our accommodating weakness.

I ask unanimous consent that a newspaper story in the Evening Star, on the subject to which I have referred, be printed at this point in the RECORD as a part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

SENATORS TOLD WHY "VICTORY" IS CENSORED—STATE DEPARTMENT SAYS WORD HAS "AGGRESSIVE RING"

The State Department has informed Senate investigators that it has censored the

word "victory" from anti-Communist speeches of defense leaders because this "implies an 'all-or-nothing' approach, leaving no room for accommodation."

The explanation was given in a report submitted by Under Secretary of State George Ball to the Senate subcommittee investigating charges that military leaders have been "muzzled" in warning about the menace of communism.

Senator THURMOND, Democrat, of South Carolina, who inspired the investigation, has charged that the elimination of such words reflects a "no-win" policy in the State Department.

The charges have been denied by the State Department, which related changes and deletions made in speeches to the international situation at the time and diplomatic or summit negotiations going on or in prospect.

"VICTORY" OUT OF WHITE TALK

The explanation about censoring of the word "victory" was given in connection with a speech which Brig. Gen. John W. White proposed to give before a national security forum in Columbus, Ohio, March 3, 1961.

General White proposed to say "victory on each of the battlefields of the cold war is essential to the survival of freedom." State Department speech reviewers substituted "defeat of Communist aggression" for "victory."

The Department report gave this explanation for the change:

"The word 'victory' has a militaristic and aggressive ring less suited than the substituted phrase to describing our national objectives. It also implies an 'all-or-nothing' approach leaving no room for accommodation."

KENNEDY SILENCED CUBA TALK

The report also disclosed that President Kennedy himself shut off discussion of the Cuban affair after the failure of the April 1961, invasion directed by the Central Intelligence Agency.

This was the explanation of a deletion made in a speech George W. Taylor of the Army Research Office, Durham, N.C., gave before a University of Cincinnati group last June 15. In the speech Mr. Taylor, discussing intelligence, proposed to say:

"Perhaps after our fiasco in Cuba the less said about this element in our setup the better. Certainly, we hardly dare hope that our potential enemies could have done as badly."

The State Department's explanation for the deletion was:

"Public criticism by military officers of major U.S. foreign policy decisions is not considered in the national interest. The President had in particular given instructions that the Cuba affair be discussed as little as possible."

BALL TO BE RECALLED

Under Secretary Ball transmitted the report, with a letter dated March 29, several weeks after he had testified in the investigation. He will be recalled for questioning about the report at a hearing probably a week from tomorrow.

"You will recall that in my testimony I said that, by and large, we are satisfied that the Department has performed its duties in connection with the review of speeches in a creditable and responsible manner," Mr. Ball wrote. "I would like to say that in assembling the explanations I have become more than ever confident that this statement is correct."

"There have, of course, been a few instances in which the reviewers have been arbitrary or have exercised poor judgment. Where there seemed to be no responsible explanation for any particular deletions or changes, we have had no hesitation in simply stating 'no explanation.'"

EIGHTY-SIX SPEECHES COVERED

The report covered 86 speeches in which State Department changes and deletions have been questioned by the subcommittee headed by Senator Stennis, Democrat, of Mississippi. They were selected from a much larger number of censored speeches which the subcommittee compiled and which were revealed by the Star early in the inquiry.

Mr. Ball, in his letter, related the changes to five critical periods starting with the U-2 spy plane incident and the abortive Paris summit conference in May 1960. Others ranged from President Kennedy's inauguration, the landing in Cuba, the President's meeting with Soviet Premier Khrushchev in Vienna and the events in connection with the beginning of the Berlin crisis a year ago in June. Nineteen of the speeches covered a period before 1960.

Words and phrases critical of Mr. Khrushchev personally and the Soviet Union were softened in numerous instances during the period of pending negotiations, the report revealed.

TRUDEAU LED CHANGES

Lt. Gen. Arthur G. Trudeau, retired Army Chief of Research and Development, felt the impact of censorship more than any other military leader with changes or deletions made in 15 of his speeches. Five speeches of Adm. Arleigh A. Burke, retired Chief of Naval Operations, another outspoken military leader, were included in the State Department's list of explanations.

Civilian defense leaders included Air Force Secretary Eugene Zuckert and retiring Army Secretary Stahr.

The State Department said that the expression "they had rather be Red than dead" used in a speech by Army Chief of Staff George H. Decker January 30, 1961, was deleted by the Defense Department at its suggestion. "It was thought undesirable to popularize this slogan," the report said.

Another speech by General Decker on February 7, 1961, referred to Communist aggression in Africa, Asia and Latin America, and was changed to read "intervention." The State Department's explanation for the change was:

"The methods used by the Communist nations in the areas referred to had not been officially labeled by the U.S. Government as aggression. It was deemed particularly inopportune to have a U.S. official make this charge at a time when the new administration was attempting to develop its avenues of communication with the Communist governments."

"MIND OF KREMLIN" OUT

A reference in a February 9, 1961, speech by Gen. Laurence Kuter, chief of the North American Defense Command, to the "mind in the Kremlin" an Mr. Khrushchev's shoe-beating demonstration at the United Nations was changed, the report said, for these reasons: (1) "The Air Defense Command is directed at aggression from any source" and (2) "It was the policy of the United States not to conduct personal attacks against high ranking foreign officials."

The phrase "the enemy" was taken out of one speech because, the report said, it was inaccurate "since the United States is not technically in a state of war" and the words "could be used to attack the peaceful intentions of the United States."

The explanation given for deleting Mr. Khrushchev's words "We will bury you" from a speech by Vice Adm. R. B. Pirie was:

"The State Department reviewer suggested omitting this quotation since Khrushchev himself had explained that if he made this remark, what it referred to was the inevitability of the triumph of communism, not the military destruction of the United States."

The State Department offered no explanation of seven deletions. These included such

expressions as "beat the Communist challenge" which was changed to read as "the threat of foreign aggression." Another was the elimination of "the insidious ideology" with reference to world communism.

The Department also offered no explanation of why the words "world communism" were changed in some instances to read "the Sino-Soviet bloc."

"MUZZLING" CASES TIED TO UNITED STATES- RUSSIA RELATIONS

(This is the text of Under Secretary of State George Ball's March 29 letter to Chairman STENNIS of the Senate Armed Services Subcommittee investigating "muzzling" charges transmitting the State Department's explanation of why certain statements in speeches of military leaders were censored.)

In accordance with your letters of March 6 and March 7, 1962, and with the understanding reached during my testimony before the Preparedness Subcommittee, I am enclosing our explanations for deletions or changes in certain speeches of Defense Department personnel.

These speeches group themselves within five chronological periods, as follows:

1. The time of the U-2 incident and the abortive Paris summit conference of May 1960.
2. The inauguration of President Kennedy and the first weeks of the search by the new administration for means of establishing communications with the Soviets.
3. The events of April 1961, including Gagarin's space flight, the attempted landing in Cuba and the beginning of the Geneva conference on Laos.
4. The Vienna summit meeting with President Kennedy and Premier Khrushchev in June of 1961.
5. The events surrounding the beginning of the Berlin crisis in June and July of 1961.

RELATIONS SENSITIVE

You will note that each of these periods was one in which relations between the United States and the Communist bloc were in a particularly sensitive and critical state. In order that the committee may be fully aware of the detailed political context in which the changes were made, we have arranged the explanations in a loose-leaf book according to these periods, preceded in each instance by a chronological summary of the relative events. I believe this form of presentation gives added force to the considerations of time, place, and circumstances which I set forth in my testimony before your committee. (Nineteen speeches, nearly all of them delivered early in 1960, do not fit into any of these periods and have therefore been grouped separately.)

The explanations herewith furnished to the committee have been prepared by specially assigned officers working under my personal direction. They have drawn upon contemporaneous notes made by the reviewers and consultation with appropriate officers in the Public Affairs Bureau and in the regional and functional bureaus of the Department.

BACKS CENSORS

You will recall that in my testimony I said that, by and large, we are satisfied that the Department has performed its duties in connection with the review of speeches in a creditable and responsible manner. I would like to say that in assembling the explanations at the request of your committee, I have become more than ever confident that this statement is correct. There have, of course, been a few instances in which the reviewers may have been arbitrary or have exercised poor judgment. Where there seemed to be no reasonable explanation for any particular deletions or changes, we have had no hesitation in simply stating, "No explanation."

Let me again assure you that either I or another policy officer of the Department will

be pleased to answer in person any questions which you or other members of the committee may have with respect to these explanations.

DISARMAMENT PROPOSALS

Mr. TOWER. Mr. President, President Kennedy's disarmament proposals, as they have been laid on the conference table at Geneva, and including, as they do, a plan to disarm the United States and Russia, and make the United Nations the policing force, are controversial in the extreme. I am convinced that the Congress will reject the proposals, just as I am convinced that Russia will reject them. Russia will reject them because a dictatorship can never disarm. The Congress will reject them because the legislative branch, and particularly the Senate, cannot yield this constitutional power to the executive branch.

Senator BARRY GOLDWATER, on a recent visit to my State of Texas, discussed these proposals in a talk to the Public Affairs Luncheon Club in Dallas. Senator GOLDWATER was most critical of these administration proposals, pointing out they provide for unilateral disarmament on the part of the United States. The Dallas Morning News, one of the great daily newspapers of our country, covered Senator GOLDWATER's talk fully, and commented the following day editorially, speaking sharply against this "dangerous scheme" to undermine our national security.

Mr. President, I ask unanimous consent to have the news story from the Dallas News of May 22, titled "GOLDWATER Scores Disarmament Plans," and the editorial from the Dallas News of May 23, titled "GOLDWATER Mince No Words," printed in the RECORD as a part of my remarks.

There being no objection, the article and editorial were ordered to be printed in the RECORD, as follows:

[From the Dallas Morning News, May 22, 1962]

GOLDWATER SCORES DISARMAMENT PLANS

U.S. Senator BARRY GOLDWATER, of Arizona, let go a nuclear broadside here Monday at current proposals for national disarmament now before the Geneva Conference.

The conservative Republican leader's entire 30-minute speech to the Public Affairs Luncheon Club dwelt on the proposal to disarm the United States and Russia and make the United Nations the policing force.

He told 1,500 people at Hotel Adolphus that with the Strategic Air Command "eliminated," the United States and Russia "will be on the same broad field—missiles."

"The only deterrent we have today is SAC—the crews, the men flying the planes."

GOLDWATER maintained that the United States has bombing experience far superior to the Russians, and that we must keep our bomber fleet.

Pointing out that the first phase of the Geneva disarmament proposal calls for cutting back within 3 years weapons capable of carrying nuclear devices, GOLDWATER said phaseouts and normal attrition of our bombers would show us with a meager force at just the end of 3 years.

He mentioned the B-70 which has been downgraded, and phaseouts of other models.

"I feel like we are engaged in unilateral disarmament whether we like it or not," he charged.

"All the administrative branch has to do is to hold back the money (for such projects as the B-70) and I can't help charging the administration with this. We are at one time putting our boys in the field, yet denying them the use of weapons. This unilateral disarmament is done by the administration saying 'We will not spend money no matter how much you appropriate.'"

GOLDWATER also slapped at cutbacks in National Guard units and Reserves.

"It is very evident now that Congress will not buy this, but all the administration has to do is to withhold the money from the States."

GOLDWATER described the disarmament proposal as catching everyone by surprise, and said the House and Senate "are in complete ignorance about it."

In reply to a question from the floor, GOLDWATER later said that he is no lawyer but would say that disarmament is treasonous.

He pointed out that all officials are sworn to uphold the Constitution, and that all treaties have to be confirmed by the Senate. He said this has not been done in the disarmament proposal and "then if treason is the word, well that's it."

He then added: "My greatest fear about the present administration is its tendency to seek more power for the executive branch and that's not the intent of the Constitution."

"I am fearful that Russia will say 'we'll take this disarmament proposal'; then where would we be? We could not out of duty to the people engage in any disarmament."

[From the Dallas Morning News, May 23, 1962]

GOLDWATER MINCES NO WORDS

Senator BARRY GOLDWATER used some blunt language when he told 200 people at the Public Affairs Luncheon Club here that the administration's proposal for disarmament "borders on treason." The outspoken Arizona conservative saw no need to mince words and said that he would see his lawyer about it later.

It is about time that some of our leaders begin to call a spade a spade, and we doubt that Mr. GOLDWATER will need the services of a lawyer to defend his choice of words. For the disarmament proposal, as the News has said in the past, is perhaps the most dangerous scheme ever cooked up in Washington for the undermining of our national security and the ultimate surrender of American independence.

We're not going to review that proposal here; most of our readers are familiar with it. Senator GOLDWATER, however, provided a good deal of new information on the subject in his local address pertaining to the manner in which the administration handled the disarmament scheme. The administration's procedure, in fact, was the basis for the "treason" charge.

GOLDWATER reminded his audience that when Congress established the disarmament and arms-control agency last September, it specifically instructed that agency and the administration to make no disarmament plans or agreements without seeking further advice and consent of the U.S. Senate.

These instructions, he said, were completely ignored. Without any further advice from or consultation with the Senate, the President outlined the U.S. position on disarmament in a U.N. speech last fall. At the same time, the State Department published a booklet, "Freedom from War," which spelled out the details of a U.S. plan for "general and complete disarmament."

Several months passed, during which time Members of the Senate could find out little about this plan. Senator GOLDWATER said that, at the same time, numerous administration officials were telling him that no specific proposals were in the works.

In early April, GOLDWATER was told by Senate Majority Leader MANSFIELD, Foreign Relations Committee Chairman FULBRIGHT, and Armed Services Committee Chairman RUSSELL that no hearings had been held on the subject of general disarmament and that none of the three had any knowledge of specific proposals about to be offered by the United States.

Ten days later a draft treaty was laid on the conference table at Geneva.

Although the Soviets eventually rejected the U.S. proposal to turn over our Armed Forces to a U.N. peace force, Senator GOLDWATER does not believe we are out of danger. He said here that there are indications the administration is going ahead with unilateral disarmament in spite of the Soviet rejection.

He pointed out that the first stage of the U.S. disarmament proposal called for reduction of strategic delivery systems and cuts in conventional Armed Forces. The administration's program to phase out the B-47 and B-52 planes, its refusal to spend funds appropriated by Congress for the B-70, its opposition to the Nike-Zeus antimissile system and its determination to make cuts in the National Guard and Reserve Forces are all accomplishing the goals of this first stage.

Yet the Russians have agreed to do nothing and are doing nothing along these lines.

Can such actions be described in terms other than "unilateral disarmament." And can unilateral disarmament be called anything but a policy which "borders on treason" inasmuch as it perilously weakens our ability to resist aggression?

THE KING-ANDERSON BILL SHOULD BE ENACTED INTO LAW

Mr. YOUNG of Ohio. Mr. President, the ruling house of delegates of the American Medical Association is determined to go to any length to defeat the President's proposal for medical care for the elderly. This little group of political doctors, lacking in vision and humanitarian ideals, is spending hundreds of thousands of dollars in its efforts to distort and misrepresent the King-Anderson bill.

High-paid AMA public relations men are working tirelessly in an effort to make Americans believe that the medical profession is faced with ruthless and oppressive regimentation. If ever a propaganda campaign was based on misrepresentation and a smokescreen of distortion, it has been the AMA campaign against any form of health care for the elderly under social security. It stems from shortsighted self-interest and arrogant indifference to the needs of the American people. It is an indifference which is not shared by most of the 180,000 physicians and surgeons whom the 192-member AMA house of delegates claims to represent. At least 150 of these members are specialists or political doctors.

This propaganda is sheer nonsense. The King-Anderson bill would in no way change the traditional doctor-patient relationship. We Americans take pride in the high standing, achievements, and great scientific advancements of our physicians and surgeons and the medical profession as a whole. We admire physicians and surgeons. We owe much to the men and women of the medical profession.

The plain fact is that AMA leaders are laying a thick smokescreen to hide from Americans their own narrow self-interest and immutable habit of standing squarely in the path of progress.

In order to appear not entirely negative, chieftains of the AMA have thrown their weight behind the inadequate medical care bill enacted in 1960. They have tried, and failed, to make a case for this law, which requires enabling action by State legislatures, and which clearly does not meet the urgent medical needs of our elderly people. I voted against it. Its passage has not aided one person in my State of Ohio who was not already on old-age assistance.

Mr. President, the truth is that fraudulent AMA charges cannot obscure the fact that only 10,000 elderly Americans throughout our Nation, previously unprotected by any Federal-State program, have benefited from the bill enacted during the Eisenhower administration. This is feeble indeed, considering that at the present time, more than 16 million Americans are 65 years of age or older.

Indeed, I suggest that the AMA would oppose even this extremely limited program if it were not faced with what its ruling group hysterically considers a greater threat—the King-Anderson bill—which will place certain aspects of medical care for the elderly under social security. In their frantic attempts to defeat this measure they condemn it for not providing enough services when, in fact, they want it to provide none at all.

Mr. President, unfortunately the AMA and others opposing it have managed to confuse Americans as to exactly what services the King-Anderson bill will provide and how much it will cost. Our President has taken leadership in informing Americans of the true nature of this legislative proposal. What is in this bill that is so frightening our political doctors?

All persons who have reached age 65 and are entitled to monthly benefits under the social security program or under the railroad retirement system would receive the following protection:

First. Up to 90 days for all standard hospital care subject to a \$10 a day deductible for up to 9 days, with a minimum of \$20. The patient will pay the first \$10 of each day's hospital bill for the first 9 days. All remaining standard hospital costs will be paid by the social security trust fund. In cases of short periods of hospitalization, the patient will be required to pay at least \$20 of his cost. Hospital care will include X-ray and laboratory tests and the services rendered in the hospitals by interns, residents, pathologists, radiologists, anesthesiologists, and physical medicine specialists. It does not cover ordinary charges by physicians and surgeons.

Second. Up to 180 days of competent nursing home care following hospitalization.

Third. Up to 240 days of home health services per year including intermittent nursing care, therapy, and part-time homemaker services.

Fourth. All required outpatient hospital diagnostic services, such as tests, examinations, and so forth, provided at local hospital outpatient clinics. There will be a \$20 deductible amount for each diagnostic study, regardless of its complexity.

To pay for these services the social security contribution rates would be increased one-fourth of 1 percent on employees and one-fourth of 1 percent on employers and three-eighths of 1 percent for the self-employed. The taxable earnings base would be increased from \$4,800 to \$5,200 a year; no social security tax would be paid on earnings above this amount. This is not charity. There would be no humiliating "means tests." These are benefits that people will have paid for and earned during their productive working years.

Mr. President, the bill specifically prohibits any interference whatever in the practice of medicine. Doctor bills are not included. It operates like private insurance except it is regarded as fully paid up upon retirement and there will be no cancellations when people reach the years when they most need this protection. There is absolutely nothing to support the AMA argument that this proposal will lower the quality and availability of hospital services or will stand between the patient and his doctor.

The basic problem is that persons 65 years of age or older cannot purchase adequate health insurance from private corporations, except at exorbitant rates. Yet, those who are older most require this protection. Most people 65 or over have few financial resources above those necessary for day-to-day living. In 1960 the typical aged couple had an income of \$2,530 a year, the average widow less than \$1,000. One-third lived with their children. Most older people cannot afford to buy hospitalization insurance, even the inadequate policies available to them.

Only about half of our elder citizens have any hospital insurance—and most of this is inadequate—as compared to more than 70 percent of our younger population. People over 65 have twice the medical bills of younger people and have two to three times as much hospitalization. When serious illness strikes—such as cancer or paralysis or heart disease—the medical bills often total \$2,000, \$5,000, or more.

It is a tragic situation that here in the richest country in the world, millions of our elderly live in constant fear that their savings, if any, set aside for a dignified old age, will be washed away by one prolonged illness or a serious accident. Colossal debt should not be the penalty if the tragedy of prolonged illness or terrible disability occurs to an elderly member of the family.

Mr. President, I will never advocate any change in the freedom we Americans enjoy to be attended by doctors of our choice, or in the doctor's freedom to select his patients, and determine for himself all the details of his treatment.

However, we simply must make it possible for persons during their working years to provide for medical and surgical

care in their old age. The most sensible way to do this is within our social security system, which is correctly termed our Nation's old age survivors' and disability insurance system. In fact, in my view there is no other adequate way.

As President Kennedy has said, the King-Anderson bill does not solve everything. It is a far cry from complete protection against the hazards and expenses of illness. It is also a far cry from "socialized medicine," that perennial bugaboo of the AMA. It is an actuarially sound, prepaid, hospitalization insurance program for the benefit of Americans in their later years.

When the Social Security Act of 1935 was under consideration, the American Medical Association termed it a "compulsory socialistic tax." No one today seriously questions the need for our social security system or its importance in promoting economic and social stability.

The AMA has frequently opposed many measures as socialistic that are today accepted practices and programs.

It termed extension of social security benefits to the permanently and totally disabled at age 50 a serious threat to American medicine.

It called elimination of the means test in the crippled children's program a socialistic regulation.

Federal grants for maternal and child welfare programs were decried as "unsound policy, wasteful and extravagant, unproductive of results and tending to promote communism."

We must not be deceived by the untruths, half-truths, and distortions disseminated by those opposed to this beneficent legislation. Americans will, as they always have, see through this smokescreen and exercise their good judgment on the basis of the facts.

Mr. President, in their attempts to confuse Americans regarding the King-Anderson bill, AMA officials have also tried to mislead our citizens regarding the social security concept in general. Recently I responded to a letter in the Mansfield, Ohio, News Journal which was full of untruths and half-truths regarding our social security program. I ask unanimous consent that my answer to the absolutely false statements contained in that letter be printed in the RECORD at this point as part of my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MAY 26, 1962.

EDITOR,
Mansfield News Journal,
Mansfield, Ohio.

DEAR SIR: Answering letter from Allen and Elsie Stoner, this is to repudiate as untruthful and distortions of truth statements they made.

They stated our Supreme Court ruled that social security is not an insurance program. The fact is that our Supreme Court in *Fleming v. Nestor* stated, "The social security system may be accurately described as a form of social insurance." Social security is income insurance. While people work, they pay a small part of their earnings into social security trust funds. When earnings stop because of disability, retirement or death, insurance benefits are paid. The cost of meet-

ing these risks is actuarially evaluated and contributions sufficient to cover these costs are provided for. The right to these insurance benefits is a legal right enforceable in the courts. These characteristics make social security insurance the same as or similar to private voluntary insurance.

Annually the Board of Trustees of the social security trust funds is required to report to Congress on the financial status of the social security funds and present in complete detail the actuarial base of the program. The Stoners' allegation that the social security program "is without an actuarial base" is an untruth.

The Advisory Council on Social Security Financing includes prominent actuaries, economists and bankers. This council reported that social security estimating techniques are "appropriate and sound."

The Stoners' allegation that the money is collected and spent like other taxes is absolutely false. Social security taxes are deposited in trust funds and by law can be used only to pay the benefits and expenses of the social security program. The money in the trust funds is invested in interest-bearing U.S. Government obligations. The money, of course, is spent for the general purposes of Government. It is the same practice the Government follows with the money obtained through the sale of bonds to private insurance companies, banks and private investors. Do the Stoners believe that the bank they deposit their savings in, or the insurance company from which they purchased protection, has taken their money and spent it on foreign aid? If they do not, how can they say that the social security trust funds have done so? These bonds are identical in every way with Federal bonds bought and sold on the open market by other investors in Federal securities.

The Stoners betray an amazing ignorance of the fiscal facts of life when they say that social security financing is responsible for our national debt. In the last 30 years, we have had to recover from a depression, wage two wars, and now have the responsibility for maintaining our freedom. The implication that the debt was caused by the social security program has no relation whatever to the truth. If the social security trust funds had not been available as a market for the Treasury's securities, they would have had to be sold to other investors.

They make an unrealistic and irresponsible statement when they imply that a future Congress would weaken or abolish social security or take away benefits of millions of people who have contributed from their earnings toward the cost of these benefits.

As Congressman at Large and Senator, I have helped amend and liberalize our social security law. Unquestionably, in the future, as in the past, the power of Congress will be used to improve the program.

The Stoners wrote: "Social security is one of the greatest frauds ever put over on millions of unsuspecting people." I wonder if the 17 million beneficiaries of the program—old people, disabled people, widows and orphans, many of whom would have no income at all were it not for social security—agree with the Stoners that social security is a fraud. No responsible group that has ever examined the program has reached this conclusion. It is worse than irresponsible, it is downright cruel to circulate statements of this sort and cause needless anxiety to people who depend on social security for protection against want in old age and for their families in the event of their disability or death.

Their letter concludes with the statement: " * * * where there is need of medical care for the aged, that need cannot be met successfully by saddling billions more taxes onto an already overburdened populace." I repudiate that conclusion. The proposed taxes to which they object are one-fourth of 1

percent on employers and employees and three-eighths of 1 percent for self-employed on a maximum of \$5,200 of annual earnings. This fractional additional tax proposed in the administration medical care for the elderly bill will, according to actuaries, meet the cost of health insurance for the elderly within social security, and in addition increase the surplus.

The correct name of our social security program is old-age, survivors and disability insurance. The present surplus in this fund is \$23,400 million. In 1961, the income exceeded disbursements by \$409 million.

The social security law, which I helped draft as Congressman at Large, and which I support as Senator, successfully met the problem of replacing income lost to workers and their families because of disability, retirement, or death. It can also help solve the problem of meeting costs of health care for the elderly. Without a doubt, passage through the Congress of the King-Anderson bill will accomplish this.

Colossal debt should not be the penalty paid by the average family when the tragedy of prolonged illness and the necessity of surgery afflicts elderly members of the family.

Sincerely yours,

STEPHEN M. YOUNG.

THE REAL MEANING OF THE STOCK MARKET BREAK

Mr. BENNETT. Mr. President, I think all of us share a deep concern over the sharp price break in the stock market yesterday, which involved the greatest price decline for any one day since October 28, 1929.

The reference of 1929 in connection with yesterday's events has an ominous ring for many of us. I think it would be unfair to suggest that yesterday's price break will trigger such a catastrophic string of events as occurred in 1929, but at the same time no one can take lightly an event which involved a loss of 35 points, or 5.7 percent in a single day in the Dow-Jones average.

The administration has attributed yesterday's events to the fact that the stock market had reached an unrealistically high level, and that the price at which stocks have been selling were not related to profits. I think this statement is true to some extent, but at the same time Walter Heller, the Chairman of the President's Council of Economic Advisers, was correct in attributing the decline to a lack of business confidence.

Mr. Heller said in a speech yesterday, "I cannot find any warrant for this lack of confidence" and suggested that it was a result of a misinterpretation of the President's intention in the recent steel dispute.

It may be true that the lack of confidence is unwarranted, as Mr. Heller suggests, but there is no denying that this lack of confidence does exist and that warranted or not, it can have a very profound effect on the economy. Consequently, it is imperative that we analyze its cause and determine how confidence can be restored.

My own feeling is that this lack of confidence is not actually unwarranted. I think the administration has done and advocated many things which seem almost calculated to undermine the confidence of investors and business leaders. The administration has seemingly

taken the attitude that profits are almost an evil thing—something which must be kept tightly in control by governmental action. Furthermore, the President has indicated time after time that he believes he should have increased powers to manipulate the economy in whatever way he deems advisable. Now, if it were possible to manipulate the economy and to increase or decrease such things as capital investment, employment, and sales at will, I think everyone would be in favor of a managed economy, but businessmen do not like to be manipulated by the Government. They have found that Government manipulation is a poor substitute for the normal forces of the marketplace, and they have learned to distrust an administration which insists on tinkering with the economy.

The sudden break in the market yesterday, dramatic as it was, is only one big step in a process which has been going on since December. During the past 5 months, there has been an incredible 22-percent drop in the value of stocks through yesterday, and as a result of the continuing declines today that figure will be about 25 percent over that short period. Thus, even before the President's action in the steel case, it was becoming apparent to many investors that the business climate being fostered by administration policies was not a healthy one. The investors in the Nation had taken a long hard look at the programs being advocated by the administration and had decided there was little cause for optimism with an administration dedicated to the vast expansion of powers of the President—particularly over the economy—an increase in the power of the Federal Government as related to the State governments, and a solution of every problem by spending more money regardless of whether or not this might create deficits.

In admitting that the President's action in the steel case destroyed the confidence of business, the President's chief economic adviser has taken a major step in the right direction. I believe if the administration is willing to follow this course to its logical conclusion, confidence can be restored and we can encourage the investment which is necessary if we are to have an expanding economy and solve the problem of unemployment. To do so would involve an agonizing reappraisal on the part of the President and his economic advisers; it will not be an easy thing to do. But for the good of the economy, I hope the President will have the courage to admit that he has gone too far in his program of expanding Federal power, Federal controls, and Federal spending. Specifically, I believe the most effective way of restoring confidence would be for the President to announce that he will oppose any new costly welfare programs which may threaten to unbalance the budget; that he will give the economy the widest possible latitude in meeting the economic problems we now face, instead of trying to force solutions upon business by Government edicts; that he will halt the great increase in the Federal bureaucracy which is now adding tremendously to the cost of government.

In short, I think the President would do well to admit the error of an economic policy which has produced such bitter fruits. Only by such a courageous and honest action can the administration restore the confidence which is the cornerstone of economic activity.

Mr. BUSH. Mr. President, I share the views which have been expressed by the Senator from Utah [Mr. BENNETT] relating to the matter of confidence.

No matter what one may say about the levels of the stock market—and of course they have been high—there is no doubt in the minds of reasonable people that the great decline which we have been witnessing, which I am told is going on again today, is the result of a lack of confidence. Confidence has been badly shaken.

Mr. President, in this morning's Herald Tribune is an editorial, published on the front page, saying "Let's Have a Word From the White House." That is the title.

In the closing paragraph of the editorial it is stated:

Investor confidence can be restored if Mr. Kennedy acts boldly to reverse the current of fear that his own past actions have inspired.

Mr. President, I ask unanimous consent that this editorial may be printed in the RECORD following my remarks on this subject.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 1.)

Mr. BUSH. Mr. President, also in today's Herald Tribune is an editorial, written by David Lawrence, entitled "Confident State of Mind Seen as Market Remedy." This editorial closes by saying:

Not words alone but only acts that bring confidence will prevent the 1960's from witnessing the same kind of demoralization that was experienced 30 years ago.

Mr. President, I ask unanimous consent that this editorial also may be printed in the RECORD following my remarks on this subject.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 2.)

Mr. BUSH. Mr. President, finally, an editorial of May 28 was published in the Wall Street Journal entitled "Cloudy Days at the Capital." I ask unanimous consent that this editorial also be printed in the RECORD at the conclusion of my remarks.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit 3.)

Mr. BUSH. Mr. President, the editorial says, in part:

What worries businessmen most is not whether the administration likes or dislikes them. Instead, it's the fact that the Government so far has failed to spell out with any clarity the role that it intends to play in the economic world.

Mr. President, this leaves a question of confidence. It creates uncertainty. When there is uncertainty the people cannot have confidence.

Mr. President, this brings up the whole question before the country today. It is

a question of whether we shall live under the free enterprise system or not. If we are to do so, we should remove the shackles. We should try to reestablish confidence in the free enterprise system.

I do not see how we can expect the free enterprise system to work unless it is nourished, unless it is encouraged, unless it is given incentive to go ahead.

Certainly we cannot expect our system to move ahead, as the President has said—he is eager for the country to move ahead; and so are we—if there is a sentiment of fear, of wonderment and of apprehension as to what the Government is going to do next to interfere with the steady forward progress of our country under the system which has made it so great.

EXHIBIT 1

LET'S HAVE A WORD FROM THE WHITE HOUSE

Yesterday's shock in Wall Street calls for more than a formal word from the White House. It calls for a convincing—and immediate—demonstration that investment, i.e., business itself, has in Mr. Kennedy the friend that he claims to be.

The stock market decline has more causes than a crisis of confidence in the administration's attitude toward business, toward free and reasonable price and wage determinations, toward tax and budget policies. But unease about Mr. Kennedy's course is undeniably a major factor. This unease has been building. It was accelerated by the steel crisis; it has not been assuaged by his formal words of conciliation since.

Business fears the future. It sees the President surrounded with advisers either hostile to business, or suspicious of it, or simply unacquainted with it.

Businessmen find themselves harassed by overzealous regulators. They find bigness itself suspect. They sense an administration impatience with the free marketplace, an eagerness to impose on it political determinations of an undefined "national interest." Investors see the balance of payments still hazardously tilted, with dwindling gold reserves continuing to flow out. They see foreign confidence in the dollar eroded by the piling of deficit on deficit, as promises of a balanced budget go glimmering. They feel wage pressures squeezing already thin profit margins and, still smarting from the whip-lash of Mr. Kennedy's attack on prices, see no comparable determination to help hold down costs.

Investor confidence can be restored if Mr. Kennedy acts boldly to reverse the current of fear that his own past actions have inspired. But, once burned, twice cautious, business awaits action in the troubled areas of deficits, balance of payments and in the strengthening of the President's advisory staff.

THE EDITORS.

EXHIBIT 2

CONFIDENT STATE OF MIND SEEN AS MARKET REMEDY

(By David Lawrence)

WASHINGTON.—The stock market's operations are often regarded as a harbinger of things to come, and not as a reflection of the past. It would be much more realistic, however, to appraise the recent decline in the value of stocks as the troubled manifestation of the present; namely, the state of mind in the world today. It should be noted that European and Canadian stock markets have also been declining in the last few days.

There's always a tendency to overlook the obvious and to search for some scapegoat or single circumstance to hold responsible. It was the same back in 1929, when almost everybody blamed President Hoover and

thought the whole trouble was in this country. Yet the breakdown in confidence was worldwide. It was a major economic convulsion growing out of the attempts of Europe and America for a decade to adjust to the consequences of World War I.

The world has been trying recently to adjust to the economic disturbances that have emerged with the cold war. Artificial rather than natural factors predominate. Billions of dollars of aid have been flowing annually from the United States to Europe and consequently many of the European countries have achieved an encouraging rate of economic growth.

But today there's a pause—as if everybody is trying to find what direction to take. America, as the leading economic force in the world, is herself enveloped in uncertainty. There is some slight comfort in the fact that war tensions have eased in recent months and that economic troubles are prevalent, too, in the Soviet Union and the Communist-bloc countries.

COMMON MARKET EFFECT

Although the European Common Market idea has received worldwide attention, it has been oversimplified. There has become imbedded in the psychology of public opinion in different countries the erroneous theory that one day the Common Market treaty can be signed and soon thereafter an economic utopia will somehow be achieved. Disillusionment now has set in as the complexity and true proportions of the whole problem are revealed.

For it is becoming apparent now that, when tariffs and quotas of the principal countries of the world are revised, even slowly, there is inevitably a period of hesitation and readjustment in business planning.

The stock market is prospective more than it is retrospective. It wants to wait and see the trend—how some of the intricate relationships in multilateral as well as bilateral trade will work out in practice. It is important to anticipate just what industries will be hurt, where unemployment will result, and what remedial measures can be taken.

SCAN MONETARY VALUES

But even if the trade picture were not filled with uncertainty, there are other factors that cause stock markets to look to the future with caution. One of these is the value of the monetary unit. World history has shown that, despite the glibly expressed doctrines of many theorists and academicians, a government's spending of more dollars than are taken in every year results in a tendency to devalue the currency and to create more and more paper money. America hasn't paid off any of her big war debt or shown the slightest tendency to do so. The talk is always about increasing the public debt itself.

So now, as always happens when fundamentals are neglected, there is a "gold problem." Shall the dollar be devalued in terms of gold? The debate centers on the outflow of gold. The President calls it the balance-of-payment problem. But basically it is an old-fashioned day of reckoning that seems to be approaching. The United States cannot keep on pouring out her gold in "giveaways" to the rest of the world and maintain a sound currency at home.

SIX MONTHS' DECLINE

Meanwhile, inside the United States there is economic trouble. The change to a new administration in 1961 accentuated an already growing uncertainty. Since last December, stock market values have declined about \$112 billion.

At a time when businessmen are grouping for an economic equilibrium through natural factors, the National Government under President Kennedy has started a number of disturbing moves. It has endorsed the fatal

policies of the New Deal on "pump-priming"—a remedy that never worked. It has discouraged businessmen. Also the administration has not only concerned itself with a few tax havens abroad that should have been removed long ago, but has taken a broad swipe at American business abroad and has almost wrecked the planning of many business enterprises overseas. Tax reforms inside the United States have long been overdue, but are not being tackled comprehensively.

CONFUSED FRONTS

So on the foreign trade front, on the taxation front, on the price front, and, last but not least, on the wage front, there is a state of mind which is not conducive to planning in a free enterprise system. The creation of more jobs has been lost sight of as an objective, even as labor leaders clamor for a 35-hour week with the same pay for the workmen as a 40-hour week—a proposal with which the President has not come to grips.

Mr. Kennedy and his policies are in the main not to blame for all the uncertainty that has hit American business and has caused unsettlement in the stock market. But he is responsible for the current delay in instituting sound policies to steer this country through a worldwide readjustment that has brought on a state of mind which strongly resembles the lack of confidence that swept from Europe to America in the late 1920's.

Not words alone but only acts that bring confidence will prevent the 1960's from witnessing the same kind of demoralization that was experienced 30 years ago.

EXHIBIT 3

CLOUDY DAYS AT THE CAPITAL

For several weeks now, administration officials have been assuring businessmen that they have nothing to fear from Washington. Whatever the great steel crisis may have led them to believe, the Government is not antibusiness. These efforts at persuasion were continued the other day at the White House Conference on National Economic Issues.

Up to now, however, such efforts are meeting with little success. A recent article on this page described the aura of uncertainty that overhangs one Midwest industrial community. Last week, the president of Pittsburgh Steel assailed the administration as not only antibusiness but anti-individual rights. In a similar vein, Henry Ford contended the Government's "present approach of direct pressure" has "dangerous implications." And the head of Standard Oil of New Jersey declared that "the shadow of big government" is weakening confidence and menacing economic growth.

What worries businessmen most is not whether the administration likes or dislikes them. Instead, it's the fact that the Government so far has failed to spell out with any clarity the role that it intends to play in the economic world.

Take the area of wage and price determination, for example. More than a month ago, President Kennedy declared the Government is not setting wages and prices. And yet, in almost the next breath, he said the administration expects to be as involved in the wage and price policies of other major industries as it was in steel.

At a later date, the President told the U.S. Chamber of Commerce that the administration did not want "the burden of determining individual prices for individual products." But he went on to speak of the need for business to follow "reasonable" pricing policies, whatever that might mean.

And at the recent White House Conference, Labor Secretary Goldberg declared that the administration is "totally committed" to free collective bargaining. Yet he added, "The

Government can never stay out if . . . private decisionmaking . . . impairs our national strength, health, safety, economy or ability to survive as a free nation."

These remarks surely leave business uncertain as to just what it must do to be allowed to tend its own affairs. But wage-price determination isn't the only business area where the Government is beclouding issues.

The Federal Power Commission, according to Chairman Joseph Swidler, hasn't been busy enough in recent years. "The Commission's power functions have suffered a severe attrition," he says. And Mr. Swidler adds that he is "determined to reverse this trend." Until the power regulators decide where their increased regulating will take them, what utility company can plan for the future in full confidence?

In other areas, Federal regulators are busily overturning precedents of the past. A company whose labor policies were in full accord with the ideas of the National Labor Relations Board a year or two ago can no longer be sure of its ground.

And in some cases the regulators are squabbling among themselves. A bank that has its merger proposal approved by the Comptroller of the Currency increasingly has no assurance that it won't be challenged by the Justice Department.

Under any circumstances, increased Government intrusion into business matters will always make life difficult for businessmen. But they can learn to live with it, as they did with the wartime OPA, so long as they know what the rules are. When they aren't told the rules they can only be confused.

A businessman, like a ship's captain, is uneasy enough when he knows there are rocks ahead. But he really gets disturbed when he doesn't even know where the rocks are.

PRESIDENT'S PROPAGANDA CIRCUS ON MEDICARE FACILITIES

Mr. BENNETT. Mr. President, the people of Utah have reacted sharply and speedily to President Kennedy's propaganda circus on medicare 10 day ago at the Madison Square Garden in New York City. Since then, I have received over 500 letters against the President's radical recommendations and only 6 for them.

This encouraging response is all the more remarkable because the President was given free, nationwide TV and radio coverage, which was denied to the reply by the American Medical Association. In fact, some stations refused to run the AMA program, even though it was paid for by the doctors. Moreover, the Kennedy administration unleashed a team of speakers who addressed meetings in 25 major metropolitan areas throughout the country. Included among these medicare hucksters were Robert M. Ball, the President's Social Security Commissioner, who spoke in Salt Lake City, and Utah Representative DAVID S. KING, who spoke at Indianapolis.

Senator HOMER CAPEHART, of Indiana, advises me that his mail has run 13 to 1 against medicare since Representative KING spoke in Indianapolis.

A check has been made with 25 other Senators, who report that their mail is running from 10 to 15 to 1 against the President's compulsory medicare program which would be financed by an added social security tax.

Not only is congressional mail overwhelmingly against the President, but

the response at the 25 other rallies must have been disappointing to him and to the other proponents of federalized medical care. Rallies in seven cities had to be canceled. These were at Denver, Philadelphia, Dallas, San Francisco, Louisville, Atlanta, and Birmingham.

In most of the rally cities, attendance fell far short of the expected crowds for which arrangements had been made. I ask unanimous consent that a list of the cities, together with the actual and expected attendance and the names of the speakers, be included in the *RECORD* at this point in my remarks.

There being no objection, the material was ordered to be printed in the *RECORD*, as follows:

Charleston, W. Va.: Only 46 persons attended in 3,500-seat auditorium. Speakers: William L. Batt, Jr., Administrator, Area Redevelopment Administration, and Nelson Cruikshank, AFL-CIO.

Indianapolis: 300 attended although arrangements had been made for 1,200. Speaker: Representative DAVID S. KING, Democrat, of Utah.

St. Louis: 1,100 attended, but plans had been made for 3,000. Speaker: LYNDON B. JOHNSON, Vice President of the United States.

Sault St. Marie, Mich.: Only six persons attended a Saturday, May 19 rally; 50 capacity. Speaker: Dean Costin, special assistant to the Assistant for Legislation, Department of Health, Education, and Welfare.

Salt Lake City: 250 attended and plans had been made for 1,000. Speaker: Robert M. Ball, Commissioner of Social Security.

Kansas City, Mo.: 700 attended; anticipated audience was 1,200 or more. Speaker: Stewart L. Udall, Secretary of the Interior.

Wilmington, Del.: About 100 attended in an auditorium which seats 1,400. Speaker: Ivan A. Nestigen, Under Secretary, Department of Health, Education, and Welfare.

Washington, D.C.: About 800 attended. Speaker: Robert C. Weaver, Administrator, Housing and Home Finance Agency.

Baltimore, Md.: Approximately 250-300 attended in a union hall which seats 400. Speaker: H. W. Brawley, Deputy Postmaster General.

Houston, Tex.: About 500 attended; the city auditorium seats 1,200. Speaker: CLINTON P. ANDERSON, Democrat, of New Mexico.

Detroit: 2,000 attended in Masonic Temple, which seats 3,500. Speaker: Walter Reuther, president, United Auto Workers.

Columbus, Ohio: 700 attended, but Central High School auditorium holds 1,400. Speaker: John E. Horne, Administrator, Small Business Administration.

Cincinnati, Ohio: 900 attended in 3,000-seat auditorium. Speaker: Orville L. Freeman, Secretary of Agriculture.

Seattle, Wash.: 320 attended; 1,200 capacity. Speaker: Mrs. Marie C. McGuire, Commissioner, Public Housing Administration.

San Diego, Calif.: 191 attended; 2,400 capacity. Speaker: Wilbur J. Cohen, Assistant Secretary (for legislation), HEW.

Los Angeles: Rally held Friday night, May 18, 700 attended; 3,000 capacity. Speaker: Representative CECIL KING, Democrat, of California.

Milwaukee, Wis.: About 2,000 attended in a 6,000-seat auditorium. Speaker: W. Willard Wirtz, Under Secretary, Department of Labor.

Chicago: 1,400 to 1,500 attended in Chicago's McCormick Place Theater which accommodates 3,000. Speakers: Representative SYDNEY R. YATES, Democrat, of Illinois and Richard Donahue, White House aid.

Knoxville, Tenn.: About 400 attended in 4,000-seat auditorium. Speakers: Blue Car-

stenson, executive secretary, National Council of Senior Citizens, and Brooks Hays, White House aid.

Boston: 350-400 attended in an auditorium which seats 3,500. Speaker: Luther H. Hodges, Secretary of Commerce.

Youngstown, Ohio: Under 500 attended in Warner Theater which seats 2,100.

Peoria, Ill.: 37 attended in a large hall, capacity 2,000. Speaker: John S. Gleason, Jr., Administrator of Veterans Affairs, Veterans' Administration.

Buffalo, N.Y.: Speaker, James A. Quigley, Assistant Secretary, Department of Health, Education, and Welfare.

The Cleveland event, held in a hotel ballroom, had 1,200 or more attending. Speaker: Mrs. Esther Peterson, Assistant Secretary of Labor.

In Miami Beach there was a crowd of 4,000 at the auditorium. Speaker: Arthur J. Goldberg, Secretary of Labor.

Mr. BENNETT. Mr. President, fewer than 45,000 persons attended the series of King-Anderson bill rallies across the country. Of the total, more than one-third were at the New York rally at which President Kennedy spoke. Thus, except for New York City, Cleveland, and Miami Beach, the response was relatively meager and certainly much less than was hoped for by Federal medicare proponents.

Thus, in spite of the most massive political brainwashing effort ever attempted by a national administration, the people of America refuse to be bought. Perhaps President Kennedy and his political advisers will have to substantially alter their estimate of the number of people they will have to offer handouts in order to give the Democratic Party an election majority.

Fortunately, we are meeting and will meet the medical needs of our aged without the compulsory Kennedy program which is a major first step toward complete federalization of medical care. Congress must not be stampeded down the road to socialized medicine by the siren calls, the propaganda, or the political intimidation of the administration. It is apparent from the response thus far that the American people will support those who stand up against this misguided effort.

OUTDOOR RECREATION BUREAU

Mr. MILLER. Mr. President, during the debate on the agriculture bill last Friday, and more particularly with respect to title I, I offered an amendment which would have required cooperation between the Secretary of Agriculture and the newly established Bureau of Outdoor Recreation in the Department of Interior with respect to activities envisaged by title I relating to outdoor recreation. I regret that the Senator in charge of the bill did not see fit to accept my amendment. Therefore, I withdrew it.

Mr. President, I hope that there will be some close liaison between the Department of Agriculture, the Department of the Interior, and those who manage the bill in the House, because the objective of the Bureau of Outdoor Recreation is to serve as a coordinating agency relating to all activities pertaining to

outdoor recreation by all agencies and departments of the Federal Government.

In this connection, in the April 22 issue of the Des Moines Register appeared an editorial entitled "An Outdoor Recreation Bureau," which makes clear what I have stated. I ask unanimous consent that it may be printed in the *RECORD*.

There being no objection, the editorial was ordered to be printed in the *RECORD*, as follows:

AN OUTDOOR RECREATION BUREAU

Three members of the Kennedy Cabinet have startled a lot of old hands around Washington by upsetting a belief that department heads never willingly give up or share their powers and functions with another agency.

Contrary to this tradition of empire building, Secretary of the Army E. J. Stahr, Secretary of Agriculture Orville L. Freeman, and Secretary of Interior Stewart Udall have shown willingness to cooperate in the organization of a Bureau of Outdoor Recreation in the Interior Department.

If present plans materialize, the new Bureau will plan and coordinate the development and expansion of a nationwide system of outdoor recreation facilities.

The Army will give up many of the controls the Corps of Army Engineers has exercised over recreational use of reservoirs it has built and the adjacent shorelines. The Department of Agriculture will relinquish some of its powers over forest lands and over some smaller water conservation and irrigation reservoirs.

The new Department of Interior Bureau will try to develop a program that will not conflict with the other uses and functions of these facilities but which will make them available for more recreational use by the public. Government-owned lands now supervised by the Department of Interior will be included in the program wherever it seems advisable.

This unified approach to providing more public recreation facilities has been advocated for many years. Its realization has been obstructed by the widely accepted belief that nothing less than the creation by Congress of an independent Department of Parks and Recreation could pry the various established agencies loose from their controls over public lands and other facilities. A score of different departments and agencies exercise some degree of control over forests, rivers, seashores, and mountainous wilderness areas.

A Commission appointed several years ago by President Eisenhower to study recreation needs and possibilities considered the creation of an independent agency. It finally decided, however, that a bureau within an established department would be better if it could be done without arousing conflict among the established agencies.

President Kennedy approved the Commission's recommendations. Evidently he has succeeded in getting the cooperation of the three major Departments involved.

The next step will require action by Congress. The Bureau will need authority to establish users fees to support a supervisory force and to provide necessary facilities.

A bill is before Congress to levy a tax on pleasure boats and the fuel they use. These revenues together with a portion of the funds received from the sale of public lands would be used for the purchase of shoreline properties and access lands where they are needed.

The creation of the Bureau of Recreation is an important and encouraging step but it is only a beginning. Enactment of the bill to finance the purchase of shoreline property, access areas, and to provide the necessary supervision is essential also. Otherwise the Bureau is likely to become

no more than a planning agency dependent on such cooperative assistance as it can wangle from other departments and agencies.

THE STOCK MARKET

Mr. MILLER. Mr. President, the Wall Street Journal for today has a lead editorial "The Market," which presents its usual discerning and timely analysis of a current topic.

The editorial wisely points out that there was a certain economic situation which could explain the fact that stocks had been overpriced. However, it also points out that when a situation such as this exists a "trigger" is necessary, and it relates the "triggering" to certain activities of the administration, starting with the President's action in the steel price increase problem.

Mr. President, in the Washington Post and Times Herald for May 21, 1962, appeared an article written by Mr. Harold B. Dorsey, entitled "Economic View—Confidence Will Be Restored Only by Deeds," which points out what has been said by previous speakers regarding the need for confidence on the part of American businessmen.

Finally, Mr. President, in an earlier edition of the Washington Evening Star, an article by the distinguished columnist David Lawrence entitled, "Wishful Thinking on the Economy," pointed out that forecasts of record output were overly optimistic and, since they were overly optimistic, that we might expect some grave disappointments and a decline in confidence on the part of businessmen if actions did not follow words with respect to policies of this administration.

Mr. President, I ask unanimous consent that the editorial and the two articles may be printed in the RECORD.

There being no objection, the editorial and articles were ordered to be printed in the RECORD, as follows:

THE MARKET

Charles Dow, the founder and first editor of these columns, observed more than a half-century ago that when the stock market had run its upward course it often took a great event to trigger its fall. The triggering event, he noted, might be removed from the stock market itself and have little apparent connection with business conditions.

The observation has been confirmed many times. Just a quarter of a century ago President Roosevelt at a press conference attacked what he labeled excessive prices, singling out a price boost in copper a few days earlier for special condemnation. This marked the beginning of a stock market decline, and was followed by the recession of 1937-38, one of the steepest on record.

Now turn to any issue of the Wall Street Journal for the week ended April 6 and look at the chart of the Dow-Jones averages on the inside back page. This was the week just preceding President Kennedy's attack on the proposed steel price increase.

The chart covers the first 3 months of the year. In the first week of January the low point of the industrial average was 710. At the end of March, the high point for that week was just under 710. In the meantime the market had gone down and up several times in waves, but if you draw a trend line through the middle of the waves it will be almost horizontal. In short, though the market was not strong, in 3 months there had been no marked decline.

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Turn next to the same chart on the inside back page of this issue. Look at the course of the stock market since President Kennedy unleashed his attack on steel prices April 11.

As that fateful week began the industrial average still hovered around the 700 mark. Yesterday it closed around 577. And a trend line drawn through the chart plunges downward like the bobsled slide at Lake Placid.

This is the reason why a great many people on Wall Street these days are blaming President Kennedy for triggering the decline in the stock market. And if the coincidence of the market's toppling and the President's blast at the steel industry is not one of cause and effect it is certainly a remarkable bit of happenstance.

But recognizing the connection between the President's display of anger and the beginning of the market decline is not the same thing as blaming that incident for the fall itself. As Dow rightly observed, a trigger sets off a reaction only when the ingredients are there to react.

The ingredients for a drop in the stock market have long been at hand. Prices on the stock exchanges have been outrunning business for several years. The stock buying public has been not only taking into account the real factors of prosperity but has been anticipating a prosperity of the far future. The mood of exhilaration being upon them, people have ignored any counter-evidence suggesting caution—unemployment, for example, or the fact that corporate profits have not kept pace with the inflation of other economic indicators. All this antedated the Kennedy administration. And that being the case, a drop in the stock market was due as soon as anything happened to stir people into taking a realistic look at the disproportion between profits and the prices they were paying for company shares in the marketplace. There may be more in store before the imbalance is corrected.

By itself that could be healthy; a correction overdue is a correction needed. The troublesome thing is not the correction but the possibility that a correction spurred by shock, and therefore precipitous, might replace excessive optimism with excessive uneasiness. Since the stock market is one place where people express their hopes and fears in a way that cannot be disguised, an excess of fear could extend itself into other areas where people vote with their money, in capital investment and in consumer spending.

That is the real danger in hostility by Government toward business, in demonstrations of what the President of the United States can do to business when he decides in anger to use all his powers. This time, steel prices. Next time, what?

Which brings to mind another remark of Charles Dow which everybody might ponder. "When the public begins to sell," he observed, "they sometimes sell as blindly as they bought."

CONFIDENCE WILL BE RESTORED ONLY BY DEEDS

(By Harold B. Dorsey)

Over the past couple of months, attention has become focused to an unusual degree on the confidence factor. Most business analysts agree that this psychological element sometimes has a significant effect on spending and investing decisions which have a direct influence on the pace of business activity, employment and security-price behavior.

Most business observers—at least in the New York area—seem to agree that the confidence factor has been hurt in recent months to some indefinite degree by the steel-price fracas, by current and threatened investigations of various aspects of business, by the continued loss of gold, and by observations of individuals in the administration and in

Congress that give a broad impression that the Government is unjustifiably critical of business leadership. There are many who believe that this loss of confidence is one of the reasons for the sharp stock-price weakness which, in turn, further dampens business confidence.

Judging from recent statements by administration spokesmen, it appears that President Kennedy and some of his advisers are aware of the significance of this condition. It is to be hoped that this awareness does not engender a series of official Pollyanna statements that would probably do more damage than good.

A Republican administration in the 1929-32 period made the mistake of repeatedly expressing the opinion that "prosperity is just around the corner." Only to have such remarks interpreted as a reminder that things were really pretty bad. Confidence will be restored by deeds, not words.

Perhaps the time has come when we should be paying a bit more attention to the tangible facts of the situation, promoting a better-balanced blend of the tangible and psychological forces influencing the outlook. Although most of the measurements of the current condition of the economy are the highest levels on record, in the past month or so there has been a distant broadening of the opinion among Government and private economists that the balance of this year will see a flattening-out of the recovery trend.

This prospect is not likely to result in a level of business earnings that would stimulate capital expenditures and overall activity next year. This sort of pattern is not going to cure the unemployment situation, because a growth trend in business activity is necessary to absorb the natural growth in the number of people seeking jobs.

As a cure for the unemployment situation is a primary objective of this administration, and as the business pattern now anticipated by so many economists does not promise to provide that cure, it seems logical to assume that the condition will have an influence on the formulation of Government policies.

In the minds of at least some investment managers, this leads to a consideration of the probable direction of such Government policies. Historical experiences prompts a fear that a substantial increase in Government spending might be accepted as a simple solution, in spite of the stagnating effects of that policy in the 1930's.

To the extent that nonproductive Government spending comes out of tax receipts, there is a diversion of a portion of the savings which otherwise might be used to finance growth-producing investment. To the extent that the Government spending is financed by a deficit, it absorbs credit that might otherwise be used to finance growth-producing investment.

In brief, there is some fear that the circumstances of the moment might lead to an expansion in Government spending policies that would not only stagnate the domestic economy but would also further deteriorate confidence in the dollar. The continuing loss of gold, plus the recent Canadian currency devaluation, remind us that the Nation's currency problem is still acute and is still a factor that has to be given careful consideration in the formulation of domestic policies.

Much of the foregoing may appear to be unnecessarily groping for trouble in the misty future. However, the sharp weakness in the stock market in recent weeks, in the face of the favorable current business news, demonstrates that such a groping process is a necessary procedure in the field of investment and business analysis.

WISHFUL THINKING ON THE ECONOMY—FORECASTS OF RECORD OUTPUT CRITICIZED AS FULL OF POLITICAL IMPLICATIONS

(By David Lawrence)

"How's business?" Time was when businessmen asked this question of one another,

and the net impression they got—either favorable or unfavorable—seemed plausible and made sense to them. But today the national economy is more complex than ever, and the statements issued from Washington are full of wishful thinking and political implications. So it's difficult to sift the data and come up with a clear answer to what's really happened—let alone what's going to happen in business, even within a year.

A couple of months ago, for instance, the Kennedy administration was issuing some glowing forecasts about the national output for 1962 and about the upward trend of the economy. But now it seems these same forecasts were too optimistic. Thus, one reads a dispatch by United Press International a few days ago which says:

"Commerce Secretary Hodges said today that the recent failure of the economy to live up to the Kennedy administration's forecast probably would extend through June. His statement at a news conference was the first public acknowledgement by a high official that the administration's forecast that the economy would rise to between \$565 billion and \$570 billion by midyear was too rosy * * * .

"Commerce Department experts have made a preliminary estimate that gross national product rose modestly in January, February and March to a new high annual rate of \$548 billion."

But how can one get an understanding of what goes on by focusing on such big figures alone? Obviously, as population grows and there is an increased demand for things, the total volume of transactions goes up. What really matters is the profits earned on all these transactions and the number of persons employed or unemployed as well as the total personal income available with which to buy things. Four percent unemployment means a lot of people, even though it looks like a small percentage. Also, fairly large "areas of substantial and persistent unemployment," as they are officially labeled by the Government, number today more than 120 throughout the country.

The Government reported, too, a few days ago that living costs had risen to a new high in February, and hence the record of 6 months of price stability was impaired. This means that the purchasing power of the dollar is again unsteady.

Meanwhile, the U.S. Department of Labor revealed this week that manufacturing industries increased their work rolls only slightly in February and showed a disappointing trend downward as compared with January. It said the number of hirings "declined somewhat more than seasonally."

Now everybody who follows the economic picture closely knows that there has been a slump on the durable-goods side. The Kennedy administration has come up with proposals to help encourage plant investment temporarily, but these are not of the long-range kind and do not permit the sort of planning that would really expand the economy.

When the volume of business, moreover, is merely increased in quantity without increasing total profits, the tax revenues which the U.S. Treasury expects to receive are bound to be disappointing. Already the 1963 Federal budget—originally predicted by President Kennedy as likely to be balanced—now is expected to be "deep in the red."

As for profits, the First National City Bank of New York has a staff of able and impartial economists who regularly make a comprehensive study of the profit picture. The bank's letter for April, just released, tells the naked truth about profits as follows:

"Currently, there is much talk of corporate profits surpassing all previous records. Both Government and private economists have forecast pretax profits for 1962 far exceeding the previous peak of \$46.8 billion in 1959. President Kennedy, at a news conference last

month, cited newspaper reports that profits in the fourth quarter had already surpassed the previous quarterly peak of \$51.5 billion reached in the second quarter of 1959 just before the steel strike.

"But all this talk of new records should not be permitted to obscure the fact that corporate earnings have failed to keep up with other indexes of economic growth in the post-war period. Rising prices in recent years have inflated dollar figures. This has tended to hide the fact that profits have actually been losing ground even when new records are apparently being set.

"The profit squeeze has been especially intense in manufacturing, where earnings have been under pressure from unrelenting increases in employment costs, taxes, and other expenses at a time when markets have been highly competitive and undercapacity operations in many lines have hampered efforts to improve efficiency."

Apart from all the figures and economic analyses, there remains one big psychological factor—confidence or lack of confidence by businessmen in the President, his advisers and the Democratic controlled Congress. Businessmen are cautious and worried about Washington. The administration has been in office more than a year now, but it has not yet come to grips with the fundamentals of an expanding economy, especially in the field of proper allowances for depreciation of plant and equipment which are so sorely needed in the durable-goods industries.

STOCK MARKET DROP REFLECTS RECOGNITION THAT INFLATION IS NOW UNDER CONTROL

Mr. PROXMIRE. Mr. President, most of the conversation and criticism of the administration for its connection, if any, with the drop in the stock market overlooks the basic economic reason for that fall. The fact is, as almost every Senator who has spoken on this subject agrees, the stock market was too high. Prices were too high in relation to earnings. I think, whether or not people are investment experts or economists, they can understand that. The price-earnings ratio has been 20 to 1 or 25 to 1, far above its usual relationship of about 13 to 1 or 14 to 1.

Mr. President, what has been overlooked is why the stock market was too high. Why were stocks overpriced? Why? The stock market was too high because it generally was discounting inflation. There was an expectation on the part of investors that prices would continue to rise and that the value of the dollar would drop, and therefore it was felt the only way for people with money to protect their money was to invest it in the stock market. Obviously they could not safely keep it in savings accounts, if the value of money is to decline sharply. They could not keep it in banks, they could not keep it in mortgages, because the value of a fixed income, it was felt, would depreciate.

Mr. President, I think this drop in the stock market is an indication that the American investor is recognizing that the administration is not going to permit runaway inflation. I think that was one of the constructive things which came out of the steel dispute. The President made it emphatically clear that he would use the power of his office to stop inflation to the best of his ability.

I feel, therefore, that this drop in the stock market should be interpreted not only in terms of a sudden emotional reaction of investors, which we have often seen before in American history, but also as a realistic appraisal of the willingness and the ability of this administration to cope with inflationary forces.

I should like to conclude by pointing out that it is very important for U.S. Senators, Members of Congress, and other public officials to make it clear that there is an iron determination on the part of all of us, including those of us who voted against the public works bill yesterday—and I did—that in the event this country should move toward a situation of heavy unemployment and crisis we would be willing to take any action—any action—necessary to prevent another serious depression.

Finally, I wish to point out that the May issue of Economic Indicators, by the Council of Economic Advisers, shows that one of the reasons why we do not fear this kind of situation is that the transfer payments—the social security payments, unemployment compensation payments, and so on—have immensely increased in recent years. Comparing 1961 to 1953, for example, we find that transfer payments rose from \$14 to \$32.9 billion. This is by far the biggest increase of any element of income.

Our economy has undergone a vast change in recent years which has been overlooked. I feel very strongly that we have safeguards to prevent any kind of really serious recession, let alone a depression.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mr. METCALF in the chair). The Senator from Arizona is recognized.

THE STOCK MARKET

Mr. GOLDWATER. Mr. President, I wish to join with my colleagues on this side of the aisle in commenting today with reference to the continuing drop in the stock market. This has become very disturbing. The latest news from the wire indicates the Dow-Jones index has dropped 11 points this morning, and the ticker in running 30 minutes behind.

Mr. President, my distinguished friend from Connecticut [Mr. BUSH] referred to a front page editorial published in the Herald Tribune this morning, in which a comment was made that what is needed is word from the White House.

Mr. President, I think probably that is part of the trouble. We have had too many words from the White House and not enough action. About the best word which could come from the White House, in my estimation, would be that Dr. Heller and the other economic theorists who surround the President have been allowed to return to various universities and that the President will rely more upon business experience than he has in the past.

In response to what my distinguished friend the Senator from Wisconsin commented, relative to the place which inflation or the lack of inflation has in the decline of the stock market, I might remind the Senator that we have recently

seen the biggest cost-of-living increase in the last 2 years. The cost of living is the "flipover" on the chart of inflation.

I cannot agree that the people have any confidence at all in this administration's ability to defeat inflation. In fact, in the Senate we have been voting in the last week for inflationary movements, for inflationary action—for more inflationary forces than we have voted for in 1 single week since I have been in the Senate, in the last 10 years.

I admire the distinguished Senator from Wisconsin for having deserted his party on several of those votes, but the fact remains that we are in an inflationary period. What we are doing in this Congress is only fanning those fires.

Mr. President, this lack of confidence in the administration's ability in an economic field is not new.

I remind Senators that capital investment is the very heartbeat of our economic system, and it is barely up to what it was in 1957. Nothing has been done to give those in the investment world confidence that the Government would stay out of their hair and let the free enterprise economy work in as free a way as it can. I suggest to my colleagues who ride on the New Frontier wagon that the best thing they could do right now would be to borrow a long riding whip and crack it over the executive team, and ask the President to quit bothering American business with his threats to turn his power against the free action of the market.

In conclusion, in yesterday's edition of the Wall Street Journal there appeared an article entitled "Abreast of the Market," in which the following statement appears:

The 38.82-point decline in the Dow-Jones Industrial average was the largest point drop for a trading week of normal length in the 65 years the average has been computed, and the biggest percentage decline for such a period since World War II.

I ask unanimous consent that the entire article to which I have referred be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ABREAST OF THE MARKET: A STOCK MARKET APPRAISAL

(By Oliver J. Gingold)

Investor confidence shriveled further in the past week as the Dow-Jones Industrial average fell 38.82 points. Nevertheless, brokers say a number of stocks have begun to indicate an oversold condition, by holding relatively steady in periods of general market weakness.

However, weakness continued in many stocks, particularly higher priced ones. Sentiment at the moment is against stocks selling with extremely low yields and at high price-earning ratios.

As is usual in a bear market, brokers and researchers are finding many stocks too high, the usual cliché in a prolonged period of weakness. On the other side, when selling has burned itself out and stocks become oversold, the watchword is that prices are too low. Brokers say in a market like this, however, investors are not prone to buy stock on future potential. That comes later when prices have steadied and are generally rallying.

Thin markets, with relatively few bids available for many stocks, have undoubtedly been an important factor in recent price breaks. While at the moment there are a number of markets in which bids are scarce, there are probably a great many where offerings are even thinner, particularly in cases where wide breaks have taken place within a short time. It is also notable that in the last few days stocks such as the utilities, which previously had held remarkably well, have given way. This is a normal development in extensive breaks. Many traders argue that in a break of the kind we have had most, if not all, stocks ultimately get hit to some degree. Traders and brokers now are on the lookout for stocks that have held steady and thus may be next on the list to go down.

The Street still is casting about for a concrete reason for the turbulent selling markets. Opinion in some quarters is that sooner or later some news or aspect of the economy will come along to justify the selling avalanche. At the moment there is little economic news to warrant it. Business news generally continues to be good and there are few predictions in various industries to indicate an important change in this situation.

Consumer goods are moving at a great rate and merchants continue to predict a record year with no reservation for the rest of 1962. Some high points: Construction contract awards in April climbed above the year-earlier level for the fourth consecutive month; new car sales in the middle third of May topped a year ago; and department store sales in the week ended May 19 rose 7 percent from a year earlier, the 10th consecutive week in which store sales have exceeded year-earlier volume.

Railroad shares have resisted declines fairly well in the weak market and there has been some institutional buying of certain shares where earnings and outlooks are regarded as good. The labor angle is, of course, difficult to value at this time. However, both the Government and States apparently are willing to help the railroads improve their outlook, particularly those roads which lose money heavily on passenger traffic. One large portfolio has been a buyer of Southern Pacific and Southern Railway in recent weeks in fairly substantial quantity, and is ready to buy more of these equities if their prices should react further.

There is no doubt about the Street being bearish at this time. But as one broker said: "The lower the market gets the more bears there are and sooner or later the market is bound to get into an important oversold condition."

Technicians still believe there may be some resistance in the neighborhood of 600 for the industrial average, but those who follow these resistance areas are getting fewer and more skeptical as the market declines.

The approaching period of the year is regarded as one in which stock prices more often rise than fall. In the past 65 years, the Dow-Jones Industrial average has risen in 34 Junes and declined in 31, while the rail average has advanced in 37 Junes and fallen in 28. July and August also are known as months of seasonal price strength for stocks.

LAST WEEK'S MARKET

The Dow-Jones Industrial average last week sank 38.82 points, or 5.97 percent, to close Friday at 611.88, its lowest closing level since January 3, 1961. The industrial average is now 123.03 points, or 16.74 percent, below its record high of 734.91 set December 13, 1961.

The Dow-Jones utility average showed a greater percentage drop last week, falling 9.72 points, or 7.95 percent, to 112.57 Friday, its lowest closing level since July 3, 1961. The 4.49-point decline in the utility average Friday was its largest since June 16, 1930.

The railroad average last week went down 7.09 points, or 5.20 percent, to end the week at 129.23. This was its lowest closing point since December 22, 1960.

For the first time since early January, weekly volume on the New York Stock Exchange last week was larger than in the corresponding week of 1961. Turnover last week increased to 22,988,850 shares from 19,566,770 in the preceding week and 19,235,340 a year ago.

The 38.82-point decline in the Dow-Jones Industrial average was the largest point drop for a trading week of normal length in the 65 years the average has been computed and the biggest percentage decline for such a period since World War II. Although larger point declines have occurred within short periods not nearly limited within a trading week, no such concentrated point decline has been larger than last week's since the early 1930's. The biggest quick drop in the industrial average was its fall of 96.44 points in the 6 trading days ended Tuesday, October 29, 1929. Within and following that period, however, substantial rallies narrowed the net change for the complete weeks.

Larger concentrated percentage declines than last week's have taken place fairly recently although none for a trading week. For example, in 1957 in the 5 days before the average hit its low for the year, it went down 6.28 percent. Before World War II when the average was below 150, weekly declines of more than 6 percent were numerous. In the week ended May 18, 1940, when Holland fell to Germany, the average dropped 22.42 points, or 15.48 percent, and in July 1932, when the average touched its depression low of 41.22, it went down 2.76 points, or 6.22 percent, in 1 week.

Mr. PROXMIER subsequently said: Mr. President, I ask unanimous consent that these remarks be printed in the RECORD following those of the Senator from Arizona, who spoke earlier today, during the morning hour.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIER. Mr. President, in reply to an earlier statement I made, the Senator from Arizona indicated that prices have risen as much in the last several months as they had in the preceding year. His figures are correct but may be misunderstood. At this time I wish to place the facts in that connection in the RECORD.

The fact is that from 1953 to 1960—during the preceding 8 years—prices had risen about 10 percent, or about 1½ percent a year. During last year, the increase in prices slowed down quite sharply. It is true that in the first 4 months of this year prices rose, but the fact is that that rise in price has been less than seven-tenths of 1 percent.

Furthermore, that rise in price had been discounted by economists, for several months. It was anticipated and was predicted, and was considered technical in nature. As a matter of fact, the economists anticipate and expect prices to rise during the next month. However, they anticipate that during the year prices will be stable. One of the reasons why they take that position is that wholesale prices have remained stable. In fact, in 1960 wholesale prices were 100.7, with the prices for the period 1957 to 1959 used as the base of 100 percent. Last year wholesale prices dropped to 100.3. Throughout this year they have remained stationary.

The most recent figure—as of May 15—is still precisely 100.3. These figures on the wholesale price level are, in my opinion, more significant for economic and forecasting purposes than those for retail prices, which are commonly used by the newspapers.

In short, Mr. President, we have had absolute stability in wholesale prices during the last year. Most stock market analysts and most economic experts are making their predictions about what the future holds on the basis of the trend in wholesale prices. This index usually predicts quite accurately what will happen to retail prices. We can anticipate substantial price stability; and at the present time we are experiencing price stability.

As I have said before, I think the action of the President in the steel dispute, whatever may have been its merits on other grounds, was a very successful effort by the Government to stop administered price inflation, and I believe that the success of the President's action constitutes a significant and substantial explanation for the fact that the stock market is now taking a second look at the discounting of inflation which had been reflected in stock market prices far too high in relation to earnings and far too high in relation to dividends.

Therefore, once again I wish to assert my conviction that the present adjustment is a healthy one. Even though it may have adverse psychological effects, I believe that when we understand it, we shall find that those adverse effects will not be very significant.

Mr. GOLDWATER. Mr. President, with the Senator from Wisconsin yield?

Mr. PROXMIRE. I yield.

Mr. GOLDWATER. The Senator from Wisconsin mentioned one part of the root of the trouble we are in today.

I recall very vividly the decline in 1929; and I recall that at that time the economists were predicting that the adjustment period might last anywhere from 1 week to 6 weeks. Later they changed their estimate to 6 months. I never have heard how long they finally extended their estimate.

But, of course, that slump did not end until we got into the Second World War.

Certainly the big factor is the psychological one; and because of this, no economist can predict accurately what the future holds.

Of course, in view of the present situation, the economists are fairly safe in saying that stock market prices are going to go down; but the experts and the economists would be in a better position to make their predictions if they knew what Mrs. Susie Smith would say over the back fence, tomorrow, to Mrs. Sam Jones, about what her husband had said about the economy and about business conditions.

The PRESIDING OFFICER. The time available to the Senator from Wisconsin, in the morning hour, has expired.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that I may continue for an additional 3 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. GOLDWATER. So, Mr. President, if the experts could know what housewives would say over the back fence, they would be better able to figure out what the economy would do.

The fact which disturbs us so much is, not the fact that the stock market is going down, or the fact that it is going down more than it has at any year during the past 60 years, on the basis of measuring by the full week, but the fact that this development will have a very great effect on purchases of new dresses or new houses or new automobiles, because the prospective purchasers will see that stock market prices are going down. This attitude by the great mass of the people who are thus affected by the decline in stock market prices does not necessarily arrest inflation, but it certainly is a reflection of the developments in the stock market.

It is the man in the street, who does not concern himself with the stock market but who hears the market is going down, who thinks he had better hold off his purchases. It is a psychological factor in a recession or depression over which we have no control, and of which an economist can take no cognizance, because there is no way to predict it. This bad psychological result could have been offset by the President had he used the techniques at hand in trying to change steel prices, instead of trying to use, as he did, the full muscle of the executive branch of Government. This is a cocked pistol which now lies on the desk of the President that can be picked up and pointed at the head of business. That is the factor. I am glad the Senator brought it out.

Mr. PROXMIRE. I agree, in the first place, with the conclusion the Senator has drawn that the psychological factor is very important. In the second place, economic forecasting is still primitive, and we cannot rely fully upon it. The rockbottom fact is, however, that we have built into our society transfer payments in the form of social security and unemployment benefits and other factors which assure people that "here is a real basis for prosperity and that we are not going to go into a serious depression."

While the stock market has been very impressive in its psychological influence in the country in the past, I think this influence has been receding and that psychologically it is not nearly as significant at it was 30 years ago, during the 1929 crash.

People who know they are going to get social security payments and who have the assurance that they are not going to be thrown out with no possibility of being able to maintain their income are in a position where they are not going to be paralyzed with fear as they were in the depression of 1929-33.

DISGRACE OF DISTRICT OF COLUMBIA SCHOOLBOOKS

Mr. HUMPHREY. Mr. President, last week, as I trust Senators will recall, I delivered in the Senate a speech on the disgrace of schoolbooks and school libraries in the District of Columbia. To-

day I am in a little better humor than I was on that occasion, because when I had discussed the condition of the textbooks and the libraries in the District of Columbia, it made me both unhappy and angry.

I am pleased to hear that Dr. Carl Hansen, the District's school superintendent, considers the situation of textbook obsolescence and disrepair to be dismal. And I am happy to note a survey of these books is being taken and that Dr. Hansen feels it must now be speeded up.

Mr. President, I could not agree more with Dr. Hansen.

In fact, I propose that this survey not only be speeded up, but that it be completed in the next 2 weeks.

And I propose further that before this 87th Congress leaves Washington, we appropriate whatever is necessary to remedy this disgraceful and intolerable situation.

Everyone in the schools knows what the situation is. It is no secret. The principals and teachers know it and so do the students. I hope my speech has alerted the community to the situation. There is no reason at all that a survey of District of Columbia textbooks and libraries should take more than 2 weeks. In fact, the survey should have been done long ago.

Each teacher knows what textbook he is using and how many pupils he has. He knows when it was written and if it is outdated or not. He also knows the condition that the books are in.

This is all that is needed to be known. But Congress has to know how many books are needed and what their cost would be. And Congress has to know quickly. I ask for prompt action by the school authorities. They must state their textbooks and library needs and do so without delay. Our District of Columbia schools need modernization; they need leadership; and they need the help of community and Congress—now.

I believe that the District of Columbia should set the standard for the Nation. We talk about the adequacy or inadequacy of educational levels and facilities in other parts of the country. I suggest that in this very area, the Federal city, standards should be set for the Nation. We are already 20 years late in terms of modernization of our schools. If "A-OK-go" is good enough for the space age and for those who are astronauts, then let us apply it to our schools, teachers, books, and libraries.

This textbook problem is urgent. It is as urgent as any problem Congress faces. Each passing day, the disaster, the tragedy are compounded.

At the rate the problem has been tackled in the past, I am afraid the current crop of District of Columbia school pupils will be old enough to run for the House of Representatives, and even, in terms of age, for the Senate, before they are qualified to enter college.

So, Mr. President, I propose that we move rapidly. And that the school district move and move rapidly.

Since last week, my telephone has been ringing constantly with offers of information and advice on the status of District of Columbia books. Most of the

callers have expressed support—and added evidence—for my effort.

Only a few of the calls have been critical. And I want to tell my colleagues about a few of them.

First, Senators may remember that last week I brought in an armful of textbooks so battered and tattered, aged and worn and dirty that they had to be held together with string or rubber bands. These were books in which whole sections were missing, but books in active use in Washington's schools.

These were books whose teachings were obsolete 10 years ago.

Senators may recall I quoted some astounding passages from some of them, such as a paragraph from a 1938 "modern physics" book telling how melting ice chills food in "modern refrigerator boxes."

And I also quoted from a 1938 social studies text which told how airplanes are now sailing around the earth, although they have to stop occasionally for gas and oil.

A few callers suggested that these books were simply "extreme examples," and that a few such antiques could no doubt be found in any high school, junior high school or elementary school in the Nation.

Well, lest anyone feel that these were indeed extreme examples, let me call attention to some other textbooks in use in our schools in the Nation's Capital. For example:

Western High School pupils are studying a book titled "Modern School Geography," written in 1938.

As far as these pupils know, Latvia, Lithuania, and Estonia are still independent European nations. Hitler and Stalin may be nightmare names to the people of these countries, but Western High School students, if they rely only on their textbooks, would never know it.

Western pupils are also studying "Advanced Algebra," published 30 years ago. Any parent in this body knows that the study of algebra and geometry has changed completely. If one does not think so, I suggest that he try to help his son or daughter with his or her homework.

There is also an "Elementary Practical Physics" text, issued in 1938.

Spingarn High School is using a mechanical drawing book published in 1934, a metalwork manual printed in 1936, and a chemistry book written in 1939.

Woodrow Wilson pupils are studying "Latin American and Hemisphere Solidarity," written 20 years ago and portraying Latin America just about the way it was during Woodrow Wilson's time.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. HUMPHREY. Mr. President, I ask unanimous consent to proceed for an additional 4 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, all but 13 members of a Western High biology class are using modern, up-to-date textbooks. The unlucky 13 are forced to use old relics of varying vintage. How in the world a teacher can instruct a

class in biology under such a setup is incredible and beyond me.

The sociology textbook used at Roosevelt High School has not had a major revision since the 1930's and contains a number of outdated concepts. Yet, remarkably, a teacher at Coolidge High School told me she was forced to borrow even this ancient artifact from Roosevelt in order to have a sociology text at all to teach her classes.

This is a sample of textbook obsolescence at only five schools. Consider for a moment that the District of Columbia has 12 high schools, 5 vocational high schools, 21 junior highs, and more than 100 elementary schools, and Senators have an idea of the magnitude of the disgrace.

No, Mr. President; the examples I cited last week were far from extreme cases. And there are many more.

Certain persons called and said that the cases I cited were extreme. They are the roadblocks to progress in this community. They act as if they had mental calcification, and, may I add, spiritual calcification, too. They are crusty, bitter, and obstinate when it comes to anything that relates to social progress.

Another statement I heard was that the textbooks must be falling apart from abuse, not use. Certainly some books have been damaged maliciously. That is a habit as old as the children themselves. That happens in every school in the Nation. There are always a few in any class who feel that it is smart to deface books. I would not be in the least surprised if Members of Congress had done the same thing in their childhood days.

How can a child be taught to respect a book until he is given a book he can respect?

I also submit that when a book survives 30 years of use, abuse is not the problem, especially when no money is available or spent for rebinding and refurbishing.

I am told that in Western High School, students are using a Shakespeare book that was published in 1916. The Shakespeare in the book is fine, but the physical condition of the book is just about as good as Shakespeare's. This must be the granddaddy of all the fossils in Washington's schools.

But the very fact that copies of this book have remained even partially intact after 45 years is an eloquent tribute to the care and thoughtfulness exhibited by the great majority of Washington pupils, or the fact that some did not study it at all.

I was curious also about the problem of abuse in the schools' libraries.

The superintendent of school libraries in Washington tells me the problem is extremely minor. The major problem is not keeping books attractive, but getting any attractive books at all for the school libraries.

No survey is needed here. The survey has already been made, and I am helping to make it. The results are known, and the results are appalling. What the city of Washington needs is to have an injection of action.

Washington, I repeat again this week, brings up the rear in the Nation.

Washington spends a meager 64 cents for library books for each junior, senior and vocational high school pupil and nothing at all on elementary school library books. The national standard is \$3 a pupil.

San Diego, Dallas, Milwaukee, Cleveland, San Francisco, Detroit, Houston, Chicago, San Antonio, St. Louis, New Orleans, Baltimore, et cetera, et cetera and including my own city of Minneapolis are all way ahead of Washington.

The District of Columbia is still seeking allocating and spending funds for its school libraries according to an amount-per-pupil formula adopted in 1947.

No real progress can be made this way in bringing Washington's school libraries up to even a passable par.

I was disturbed to learn, also, that this year for the first time, the Board of Education asked for money, \$25,000, for elementary school library books. The Board of Commissioners, however, removed this entire sum from the budget.

Mr. President, it is going to take a lot more than \$25,000 to make even a decent start on overcoming the lag in our school libraries.

It is estimated that it will take \$57,000 more just to raise Washington's school library book expenditures to a minimum of \$1 a pupil, as compared with the national average. And even then, the District of Columbia schools would be \$2 and \$2.50 below the national standard.

But I strongly propose that this is exactly what we do this year to get off on the right foot in curing the decrepit, tragic, unbelievable, and criminal situation.

Mr. President, I ask that three recent articles and one editorial on the crusade for better books be printed in the RECORD.

There being no objection, the articles and editorial were ordered to be printed in the RECORD, as follows:

[From the Washington Post, May 25, 1962]
EDUCATORS APPLAUD HUMPHREY'S DRIVE FOR
MODERN TEXTS
(By Carole Bowie)

Senator HUBERT H. HUMPHREY's pledge to wage a "one-man crusade" to put modern texts in the hands of every District student was welcomed by principals and teachers yesterday.

HUMPHREY, Democrat, Minnesota, told the Senate Wednesday that some District students still use tattered school books that were out of date 10 years ago. And he showed some samples.

That District students study obsolete texts did not come as a surprise to school officials who have been struggling to see that every student has even an old book.

But the hubbub the Senator's statements caused is sure to put some fire into a survey of textbook obsolescence already in the works, District School Superintendent Carl F. Hansen said. It may result in a request for more textbook money.

Principals are happy about the hubbub.

Current allotments are "absolutely inadequate to do the job," said Ralph W. Watt, principal of McKinley High School. At McKinley a physics text published 11 years ago—predating sputnik and recent changes in physics teaching—is still in use.

District schools get about \$5 per student each year for textbooks and supplies. Chalk, paper clips, erasers and the like take about

\$2, leaving \$3 to replace books that are falling apart or to buy books for new students. Old books in good shape are kept.

Watt approaches textbook buying by asking teachers to list what they need in three categories: "Must have, need but can do without for a year, and nice to have." He says he never gets through category one.

And often he cannot buy "must have" books for all students. He might need 140 mathematics texts, for instance, but can afford only 70. That means two classes of students do without.

At Spingarn High School, where HUMPHREY found a 1938 edition of "Modern Physics" which observed that "Melting ice chills food in modern refrigerator boxes," Principal Purvis J. Williams is planning to spend \$6,533.48 on books next year.

The money will go to replace some, but not all, of 10-, 11-, 15- and even 20-year-old texts in business, English, mathematics, physics, chemistry and biology.

[From the Washington Post, May 25, 1962]
IRATE PUPILS STORM HILL TO DEMAND CLASS NEEDS

(By John J. Lindsay)

The accent was on youth at the Capitol last night as school-age youngsters went before Members of Congress to gripe about the educational needs of the city as the students see them.

They received an enthusiastic response from members of the House District Appropriations Subcommittee headed by Rep. WILLIAM NATCHER, Democrat, of Kentucky. If the welcome means anything, the youngsters scored heavily in running down the lack of up-to-date textbooks, school and neighborhood libraries and the physical plant in which they attend school.

They appeared at the last of three public hearings on the city's request to spend \$299.1 million next year, nearly all of which will come out of the pockets of taxpayers. The schools' operating budget request is \$57.8 million. Another \$7.9 million was requested for new schools and additional classrooms.

LED BY STUDENT

Under the direction of James Toledano, a student at Woodrow Wilson High, members of the High School Students for Better Education took their cause to the subcommittee.

Lyngrid Smith, of McKinley High, complained that since last July, education officials had requested about 900 badly needed repairs, none of which have been taken care of.

Elaine Gordon, Chamberlain Vocational, spoke of schools with falling plaster, a furnace that floods in inclement weather and another school without an auditorium.

Robert Howard, of Eastern High, complained that the Sousa Junior High science lab was once a storeroom for musical instruments, has one window and a makeshift blackboard.

At Phelps Vocational, he said, students change clothes in the boilerroom and take gym in the hall. There is no school library and, he added, most District high schools do not have a basic collection of books in their libraries.

TORN TEXTBOOKS

Vera Rykoff, of Coolidge High, said a collection of textbooks is considered adequate if it includes "an ancient, outdated conglomeration of pages without covers and missing whole chapters." One history book was written and issued during World War II when Russia was our ally and another text on the Elements of Electricity was published in 1932, 12 years before today's high school students were born, she said.

She also read a statement for Henry Brown of Cardozo High which said that condemned books are used throughout the public school system because there are no others. The

students presented the subcommittee with a ragged collection of ancient textbooks but asked for their return as soon as possible because they are needed for study.

Toledano said it will take 24 new schools by 1969 to handle an expected 25,000 additional students. He said that without enough money for schools a more than adequate education is impossible and without that education there is not much hope for the future citizens of this city. He also requested that the present expenditure of \$5 per student per year for textbooks be doubled.

PLEA FOR LIBRARY

Later in the testimony, Adrian Burrell, 15, and Eugene Rudder, 13, of Kelly Miller Junior High, made a strong appeal for \$523,000 for the Capitol View Branch Library without which, they said, students of their area would not receive a full education.

NATCHER said the library is "No. 1" on the priority list of every member of the subcommittee. NATCHER and Representatives GEORGE SHIPLEY, Democrat, of Illinois, and JOHN RHODES, Republican, of Arizona, praised all the youngsters who appeared for their interest and spirit.

Thirteen witnesses representing the District Congress of Parents and Teachers also testified about deficiencies in the District public school system.

They requested consideration of funds for elementary school foreign language programs, improvement of the guidance counselor system and a strong library system among other improvements.

HORRIBLE HINE

Betty Sampson said that all children in the Capital would profit from the guidance counselors who have succeeded in reducing truancy, eliminating behavior problems, preparing children for psychological services and medical needs.

Bernice F. Baddy told the subcommittee that the greatest concern of the Hine Junior High School PTA is that some child might lose his life trying to get an education at "Horrible Hine."

She asked for \$5 million for construction of a replacement instead of the \$210,000 requested for a new school site.

Riddick H. Pree, legislative chairman of the Area 5 Council of the District Congress made a strong appeal for the 16 new elementary schools which he said the city will need in the next 5 years over and above buildings already approved.

ASKS NEW SCHOOLS

Mrs. S. Raymond Smith representing area 4, far northeast and far southeast Washington, appealed for new elementary schools, junior high and high schools and additional school equipment for those areas. Most of the schools have been requested by the District Commissioners.

Mr. Arthur M. Blacklow, president of the Congress, was represented by Ellis Haworth, who among other things testified about the desperate need for a central administration building to house all the 300 administration offices now scattered throughout the city in 15 buildings.

Other witnesses called for expansion of the public summer school program, improvement of the Ben W. Murch Elementary School and additional teachers to reduce the present pupil-teacher ratio.

The District Federation of Civic Associations strongly opposed the city's inner loop highway program and asked that all construction except freeways or street projects now being built be halted by the city.

Henry L. Dixon, president of the federation, appealed for additional public schools, recreation facilities and an increase in funds for homemaker services, nursing care grants and for about 900 multiproblem families receiving aid-to-dependent-children grants.

[From the Washington Post, May 26, 1962]
HANSEN JOINS CRUSADE FOR BETTER TEXTBOOKS
(By Carole Bowie)

District School Superintendent Carl F. Hansen thinks the problem of out-of-date textbooks in District schools is bad in more ways than one.

Most importantly, he doesn't think students should study such subjects as physics and chemistry from books written 20 or 30 years ago. And, secondly, until this week he thought the city's textbook problems were under control.

"We are particularly vulnerable for not having asked for more textbook money," he said yesterday at a press conference. And he added, "We are embarrassed that our textbook survey last spring did not treat at all with obsolescence."

On the strength of that survey, submitted to the School Board in December, Hansen won authority to spend an extra \$13,000 on textbooks. This money, he told the Board, "will bring us pretty close to at least getting books into the hands of every child."

He said at the time he hoped obsolescence could be taken care of through regular yearly textbook appropriations.

But he said now it would appear that principals have an "extensive" problem keeping books current, especially in science and social studies and maybe in the humanities with yearly funds.

On Hansen's desk was an aged and tattered physics book that showed up Wednesday in the Senate Chamber in the hands of Senator HUBERT H. HUMPHREY, Democrat, Minnesota. HUMPHREY pledged a "one-man crusade" to put modern texts in the hands of every student.

Hansen said Assistant School Superintendents John D. Koontz and Francis Gregory are already at work trying to find out how many such books are in use and why. He said the survey will be "stepped up."

While Hansen said he thinks books of the 1938 vintage are "extreme examples" of those in use, he said that "in a more general sense there obviously is a problem of obsolescence."

In fact, comments of principals and parents since the Senator's speech indicate that the picture is "pretty dismal," he said.

[From the Washington Post, May 28, 1962]
BACKWARD BOOKS

The same week that Scott Carpenter made his triple orbit around the world, students in our city's public schools could read this helpful comment in a textbook: "Airplanes have not only sailed over the ocean, but they have sailed around the earth. Of course, stops were frequently made for gasoline and oil." This is but a sample of the sometimes pitifully out-of-date textbooks still in use in our public schools, where one high school instructs its students with a book entitled "Modern Physics" printed before Hiroshima.

All credit to the High School Students for Better Education, our youngest lobbyists, for using their constitutional right of petition to bring the book scandal to the notice of Congress. And further credit to Senator HUMPHREY for lending a hand in a campaign that ought to succeed. A nation rich enough to thrust a man into space ought to have enough money to provide its youngsters with books that do more than describe airplanes as a curious novelty and nuclear physics as interesting speculation.

Obsolete and tattered textbooks are being used because the District lacks adequate funds for its schools. The lack of libraries is an even greater reproach to congressional parsimony. There are no libraries in elementary schools except in two where anonymous donors provided funds; the national standard calls for a \$3 library expenditure per child, but Washington

spends 76 cents a year per high school student, and nothing at all for each elementary pupil. Happily, local school officials are providing further fodder for Mr. HUMPHREY's Senate campaign, and hopefully Congress will learn a lesson from the antiquated texts the Senator has read into the RECORD.

Mr. HUMPHREY. Mr. President, I also call attention to a letter dated May 24, 1962, which I have received from High School Students for Better Education. A number of names are signed to the letter. I thank these young people.

Mr. President, I ask unanimous consent that this letter be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MAY 24, 1962.

DEAR SENATOR HUMPHREY: We, the undersigned, members of the High School Students for Better Education, wish to express our sincere gratitude to you for your interest in improving school conditions in the District of Columbia. We feel most fortunate in having in you, a great and eloquent champion of our cause. On behalf of the many thousands of schoolchildren in the District of Columbia and the students of the future, we thank you.

Peter Crane, Michael Ferir, Elaine Gordon, Phyllis Meuch, Steve Block, Richard Blacklow, Olivia Lucas, Randi Dokken, Corlan Johnson, Arrel Dougherty, Lois Schiffer, Joan Kolker, Patricia Baum, Susan Kerr, Rush Dougherty, Ellen Zorin, Judy Powell, Carrie Fox, Joyce Smith, Lynne Jones, Sue McMurray, Candy Frazz, Susan Hamilton, Vera Ryckoff, Robert Lee Howard, Duane G. Derrick, Jr., James G. Wright III, Arthur L. Harris, Jane Kenworthy, L. Lincoln, Douglas Burke, Christina Weyl, Betsy Kramer, Susan Pollock, Karen Stingle, Judy Edelsberg, Henry Brown, Lyngrid Smith.

THE STOCK MARKET AND THE BUSINESS CLIMATE

Mr. JAVITS. Mr. President, we have heard this morning some discussion about the precipitate fall in prices on the New York Stock Exchange. Because I am a member of the Committee on Banking and Currency and of the Joint Economic Committee, and since the New York Stock Exchange and other securities exchanges are located in my hometown of New York City, I believe I should say at least a word about the situation.

It seems to me that serious questions have begun to be raised concerning the strength of the U.S. economy and the capability of the Kennedy administration to deal with it. What has happened does not necessarily add up to a national catastrophe; on the contrary, it can make us leaner and tougher. This situation is particularly critical because of the importance of the economic health of the United States to our free world peace leadership.

Whether this event is a natural economic readjustment or a serious crisis remains to be seen, but I believe that the current stock market can be confined to an economic readjustment provided the President gives a constructive lead, provided U.S. business, including both management and labor, takes this as an occasion for a new effort in the public

business, and provided Congress acts as it should.

There is much talk about whether business has confidence in Government. I can well understand why the confidence of business should have been shaken. Nevertheless, the Government of the United States consists of the President and Congress, and Congress right now ought to give American business, which includes workers and management, some reassurance that we are not going to go haywire or wild or to be punitive. Perhaps such assurance, added to that which the President is already trying to give, may help us to do the trick, at least so far as confidence is concerned.

Economic conditions are basically sound. The economy of the United States is well able to undertake the adjustments which are necessary to assure its competitive position internationally and to meet changing domestic needs.

It is true that the Nation is troubled by serious unemployment, which is continuing at an unacceptable rate of 5½ percent, but other indexes are more favorable.

Consumer demand is on the rise, with personal expenditures for durable goods up 13.3 percent for the first quarter of 1962 over the first quarter of 1961. Business expenditures for producers' durable equipment rose by 17.5 percent in the same period. We have an enormous unmet need for homes, appliances, and even for telephones and automobiles, and the needs continue. The economy of mankind throughout the world is so poor that we could be producing for many years without catching up.

An article published in the New York Herald Tribune for today, May 29, is entitled "U.N. Report: Rich Nations Get Richer, Poor Poorer." I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

U.N. REPORT: RICH NATIONS GET RICHER, POOR POORER

UNITED NATIONS, N.Y.—The rich nations are getting richer and the poor poorer, a U.N. report showed Sunday.

While the economies of the industrial nations are surging forward, the underdeveloped nations are getting relatively less for the raw materials they sell to the manufacturing giants.

The 1961 U.N. Statistical Yearbook showed that the free world's industrial production has nearly tripled since 1938, while commodity output has barely doubled.

The values of world exports reached a record level of \$112.5 billion in 1960, but the underdeveloped nations' share of world trade decreased by 30 percent in the past 10 years, the report said.

The have-not nations continue to spend a far higher percent of their gross national product on their peoples' needs, sharply cutting their ability to provide their own investment funds.

To fill in the gap, the gross flow of grants and long-term loans to underdeveloped countries totaled \$4 billion in 1960. The United States was the chief contributor of bilateral assistance with more than \$2 billion.

Among other findings of the survey:

The United States produced the largest amount of crude steel—more than 90 mil-

lion metric tons in 1960—out of a world total of 344 million metric tons. The U.S.S.R. was next with 65 million metric tons.

Production of iron ore in the U.S.S.R. exceeded U.S. production in 1958, 1959, and 1960.

More than half the world's passenger vehicles are made in the United States.

The per capita consumption of steel in Sweden in 1960 was the highest in the world.

Mr. JAVITS. Mr. President, an editorial entitled "Hope For Hungry Countries," published in the New York Times of Sunday, May 27, 1962, points out that in the 3 years of the existence of the U.N.'s Special Fund Council, the Fund has committed more than \$210 million, but that what the fund does is to make future investments, that may come to billions of dollars, more fruitful.

Mr. President, I ask unanimous consent that the editorial be printed at this point in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

HOPE FOR HUNGRY COUNTRIES

The 41 international development projects just approved by the U.N.'s Special Fund Council will cost a little under \$37 million. In the 3 years of its existence the Fund has committed more than \$210 million—millions, not billions, but important just the same.

The U.N. Special Fund is like seeds in a spring furrow. What the Fund does is to make future investments that may come to billions of dollars more fruitful. It specializes in studies, surveys and, above all, in education. One great difficulty in underdeveloped countries is that their resources, human and natural, are not fully known. As Managing Director Paul G. Hoffman has said: "In practically all the underdeveloped countries and territories associated with the United Nations, the underlying cause of that underdevelopment is not lack of human and physical resources but underutilization of these resources." He adds: "It has been proven time and time again that nationals of all countries can be trained to be good administrators, good educators, good businessmen, good doctors, good mechanics, and good farmers."

What the U.N. Fund proposes is to make productive the great investments, national and international, private and public, that will ultimately have to be made in the economically retarded countries. A resolution of the General Assembly passed last December sets a goal of an annual national income increase in each such country of 5 percent by the end of this decade.

Incidentally, the Governing Council of the Fund consists of nine representatives from the advanced countries and nine from the underdeveloped countries. Among the developed countries is the Union of Soviet Socialist Republics. What is going on in this council is less a cold war than a hot war against poverty, ignorance and disease.

Mr. JAVITS. Mr. President, our economy is moving too slowly; still, it appears to be on a sound footing. However, the stock market has in the last 10 years risen 5 times faster than corporate profits, 3½ times faster than industrial production, and more than twice as fast as personal income and gross national product. Reasonable expectations of future growth cannot outstrip current realities by such multiples. That, too, is a cause of the present readjustment.

The PRESIDING OFFICER. The time of the Senator from New York has expired.

Mr. JAVITS. Mr. President, I ask unanimous consent that I may speak for 2 additional minutes.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. JAVITS. Mr. President, the timing of the present occurrence is, in my view, based on governmental developments. This factor in the present situation is the impairment of business confidence in the Government's handling of the economy. We all understand that it is an outgrowth of the direct action taken by the President in the steel price controversy, especially the fear and resentment induced by the President's utilization of law enforcement machinery of the Federal Government, without fundamental basis in law, as shown at that time, and that this condition is compounded by the persistence of an international imbalance of payments and unemployment troubles. These factors have caused much difficulty.

We understand that right now the President of the United States is in trouble, in view of the dangers of a real impact upon our economy if a continuous stock market break results in a real withdrawal of business from expansion and improvement.

I emphasize what others have said, that it will take not only the action of the President, but also the action of Congress in order to do what needs to be done now. What is not adequately recognized is that the President is not the whole Government, but Congress is a coordinate and equally powerful branch of the Government, having the capability for materially helping to right any imbalance in the Government's approach toward business; and also that the present situation requires a major exercise in self-help and mutual cooperation by U.S. management and labor.

Congress can be of enormous aid to the country in bringing home the realization of the part it plays to business managers, workers and owners. It seems to me that this buttressing of the national posture should be most welcomed by President Kennedy who is in trouble in view of the dangers of a really prejudicial impact upon our economy if a continuing stock market break brings about a real withdrawal of business from expansion and improvement. I emphasize especially in the case of the President that it is deeds—not words—which will count for the most, as so many brave and reassuring words have already been uttered.

What can Congress, the President, and U.S. business do in a tangible and direct way to improve the business climate?

First. The President can immediately announce specific revisions of depreciation schedules and can call on Congress to initiate consideration of tax reform, including incentive income tax reductions and more rather than less favorable treatment for earnings from productive foreign investment.

Second. The President can call on Congress to establish a permanent mechanism for labor-management cooperation in the public interest—such as Peace

Production Board—to increase productivity and to meet the problems of automation, and to take action to review the antitrust laws in accordance with modern needs. Under such assurances of increased employment labor can review its policy to seek a shorter work week—a policy which certainly needs review.

Third. Congress can accelerate action on the acceptable provisions of the tax bill and on the trade expansion bill.

Fourth. Congress can materially revise the objectionable features of the present tax bill relating to treatment of foreign subsidiaries and withholding on dividend and interest income.

Fifth. Congress can accelerate action on establishing permanent improved Federal standards of unemployment compensation to place a floor under effective demand for the goods and services needed by the people of this Nation.

Sixth. Congress can pass legislation for U.S. participation in the agreement among the 10 major free world industrialized nations, adding resources to the International Monetary Fund in order to support the dollar and pound sterling, and can support the President in further efforts to rectify the U.S. balance of international payments.

Seventh. Business can undertake a far more active role in the development of the newly developing areas in cooperation with the private enterprise of other industrialized free world countries and encourage Government and international financing agencies to materially expand the credit resources available for the purpose.

These are fundamental ways to give business a sense of security. They would assure investors that investments made for sound economic reasons will be supported by Federal action to support accelerated economic growth.

Mr. HUMPHREY. Mr. President, I must leave the Chamber, but before I do so I desire the Senator from New York and other Senators who have commented on the present economic situation to know of my interest in the subject. I commend the Senator from New York for his restrained and responsible statement. I shall return to the Chamber later to speak on this subject, because it seems to me the situation is of sufficient significance and concern that we ought to deal with it carefully and responsibly.

Mr. JAVITS. I shall be here to listen to the Senator from Minnesota.

Mr. President, a distinguished American correspondent, Mr. Walter Lippmann, has recently returned from a highly useful journal to Western Europe and is now contributing a significant series of articles on the state of the Atlantic Community.

The importance of the events assessed by Mr. Lippmann is reflected in the statements of the President and the wide speculation in our informational media, concerning the viability of the great alliance of Atlantic nations which has kept Communist aggression at bay over the last 15 years. It is my strong conviction that the United States must

regain the momentum of economic growth and the tremendous vitality which enabled it over many years to hold the Atlantic Community together—a feat which was accomplished without interference in the sovereign affairs of our partners.

This is no time for a retreat by the United States. It is the time for a great assertion of our faith in united strength and of a massive buildup of our domestic and international potential. As Mr. Lippmann wrote in his column of May 24, 1962:

A Franco-German Europe under French leadership is an optical illusion which will pass away with the two venerable figures who have created it.

But this optical illusion must be replaced by strengthened ties of reality which only our efforts in the United States can forge.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD an article entitled "As Walter Lippmann Sees Today's World and Our Role," published in the New York Herald Tribune of May 26, 1962.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

AS WALTER LIPPMANN SEES TODAY'S WORLD AND OUR ROLE

WASHINGTON.—I am sure that by this time in your meetings you will have heard enough about the law to be willing to listen to one who is not a lawyer, one, I may say—who contrary to the more usual practice in Washington public life—is not going to instruct you about the law. If there are still some unsolved problems in the law, you will get no help from me.

To reassure you about the stranger in your midst, I might say that I have two near qualifications for being here tonight. One is that my father wanted me to be a lawyer, though I strayed off into a more Bohemian profession. The other is that I married into a lawyer's family, where I have learned that a lawyer's ability to win an argument is hereditary.

I thought you might like to hear a brief and sketchy report on what the state of the world seems to be this spring. What I have to say will be based on what I know of recent developments here in Washington, and on a trip which I have just completed recently to the main capitals of Western Europe.

The general fact is, I think, that there are now underway significant developments both in our world, that of the Western nations, and in the other world, that of the Soviet Union and China. These developments are, of course, interacting: what happens on one side of the Iron Curtain has its effects on the other side.

The simplest way, I suppose, of going about describing these highly complicated relationships is to list the crucial developments on each side of the Iron Curtain. By the word "crucial" I do not mean such local developments as are taking place say in Cuba, or Laos, or Ghana, but those developments which affect the world balance of power, and therefore the prospect of war and peace, including the prospect of the cold war and the cold peace.

In my view, in the past year or so the world balance of forces has, I venture to say, become rather more favorable to the Western community. I know from my newspaper experience how risky it is to be optimistic, and I know that the prudent man who wishes

to play it safe will always lean to Cassandra, never to Pollyanna. For if Cassandra is right, which I am sorry to say is all too frequently, the man becomes without any trouble at all a true prophet. If, on the other hand, Cassandra is wrong, everyone is too well pleased to remember what he said.

Nevertheless, in the historic confrontation between international communism and the Western society our position, is, I believe, improved. I could provide you with plenty of gloom about what lies ahead in South America, in Africa, and perhaps in south Asia. And in regard to the problems of the less developed, emerging nations I make no concessions at all to Pollyanna. But what seems to me to have become better is the relationships of power between the two great centers of power on this planet, and quite briefly and of course by simplifying much I shall try to tell you why I think so.

I shall be so rash as to say that primarily and fundamentally, the balance of military power is now very considerably in our favor. Indeed I am told by those whose expertness I most respect that the West, and at the center of it the United States, is now much stronger than the Soviet Union, unless the Soviet Union achieves a great scientific breakthrough in the next series of nuclear tests—for example an antimissile missile or a bomb of decisive size which cannot be repelled. But for such developments our lead in the race of armaments can be called decisive.

To be sure, we cannot be absolutely certain of this. There may, for example, be undisclosed political weaknesses in the West. Most certainly our military strength is the very last thing to talk about boastfully. I have hesitated a long time whether it is proper to talk about it at all. It would be tempting the gods to boast of it and in fact it should be talked about only with the greatest reserve and humility. But I am speaking of it because it is now the controlling fact in the world situation, and must therefore be known to those who form opinions if they are to understand the world situation today.

There is good reason to think that it is well understood in the highest places in Moscow. The best evidence of this is twofold. There is the prudent moderation of Soviet policy in Berlin and southeast Asia, there is the stubborn refusal of the Soviet Government to sign a treaty to ban nuclear tests. That refusal represents a reversal of Soviet policy, and it is due, I believe, to the realization in Moscow that the Soviet Union is behind in the race of armaments. That is why the Soviets broke the moratorium and that is why they are preparing new tests. Their scientists and generals are hoping for a scientific breakthrough which would change radically and quickly in their favor the balance of power. Our own testing, I should add, is designed to re-insure our present nuclear superiority against the chances of such a Soviet breakthrough.

It is probable that the Soviet Government will not sign a treaty until and unless it has convinced itself that, as so many American scientists believe, no breakthrough, which will be decisive in a military sense, is likely to be achieved from the atmospheric tests. At the moment the test negotiations are deadlocked. Mr. Khrushchev is listening to Russian scientists who believe that a breakthrough is possible, and Mr. Kennedy cannot overrule the American scientists who tell him that a Russian breakthrough is not impossible.

NUCLEAR DANGER DEFUSED IN BERLIN

In the meantime, there are strong indications that Soviet foreign policy is slowly adjusting itself to the realities of nuclear power. I am thinking particularly about Berlin and about southeast Asia. The situa-

tion in both places has changed in the past year. One might say that in the field of nuclear danger both Berlin and Southeast Asia have to a very considerable degree been defused. Neither side is ready to face the risks of pushing the other into a dead end street from which there is no exit except by a humiliating surrender or a suicidal war. I ascribe this improvement to the success of the President in using our superior strength, which he has helped to reinforce, to promote an accommodating and conciliatory and resourceful diplomacy. Power exercised with restraint and magnanimity is a great persuader in human affairs.

On the plus side for the West, I would put next the brilliant recovery and the growing unity of Western Europe. So rapidly has the standard of living been rising that the Soviet Union no longer has in the Communist and the far left parties, with their constituency among workers, farmers, professionals, and intellectuals, strong and reliable instruments of political power inside the continental countries. The Soviet Union still has influence, of course, but what she has lost is the power to intervene effectively in the internal affairs of Western Europe.

Because of the great growth of wealth since the war, the developments in Italy, for example, are spectacular. Not only has the Italian left split—the Socialists are no longer allied with the Communists in opposing the government, which is liberal and progressive—but in the Communist Party itself there is a split between the true believers, the so-called Stalinists, and the younger and more liberally minded men.

One of the most interesting developments in the new and buoyant Western Europe is that the Socialist parties in Germany, France, Italy, and Great Britain are finding that traditional Socialist doctrine has become largely irrelevant. It no longer fits the facts of life. It is a generation out of date. Some of the old Socialist doctrine, in particular the welfare state, has been adopted. Much—particularly the public ownership of the means of production—has been bypassed and surpassed by the new European economy which is proving to be highly productive and is creating an affluent European society.

I would name next in my list of favorable developments a byproduct of this new European postwar economy. To the less developed nations it is offering a third way to become more productive and to raise their standard of life. They do not have to plunge themselves into a totalitarian system. The new nations do not want to do this. And the alternative is no longer that they should try to imitate vainly our own special American kind of individualistic free enterprise. For the undeveloped and crowded nations it is altogether impossible to duplicate the American economy.

The example of free but planned economy which comes from the new Europe, is backed by the growing Western accumulation of wealth. This is making it no longer necessary to assume—as perhaps it was necessary even 10 years ago—that for the poorer and backward peoples there is only one quick solution to their misery, which is to follow the example of the Soviet Union, which raised itself from poverty and chaos to world power in 40 years.

PROVEN FAILURE OF RED AGRICULTURE

I turn now to the other side, to the more recent developments which are affecting the balance of forces between the two worlds. I have already talked about the balance of military power. Obviously, for the Soviet Union it counsels prudence and a policy not of external expansion but of internal development.

The second point which I should like to note has enormous consequences throughout the world. It is the proven failure of

Communist agriculture. The greater part of mankind lives by agriculture and there is nothing enticing and alluring in the spectacle of the Soviet and Chinese failure. In China the failure is a national disaster. In the Soviet Union the poor yields provide no surpluses for use abroad. This is manifestly a liability for the Soviet position in foreign affairs. Thus it is unable to help China, which is a confession of weakness.

As against the proved agricultural shortages in the Communist world, there are the great surpluses in the non-Communist world. The Western farm problem, which is to dispose of the surpluses, is indeed a hard problem. But, obviously, it is an infinitely easier problem to deal with than the Communist shortages, which can lead—which in China have led—to famine. The contrast between the two agricultural achievements is asserting an enormous influence on the prestige of the two rival societies. For the great majority of the inhabitants of the globe live on the land, and the contrast in agricultural achievements weighs heavily in determining which of the two societies they wish to follow.

Then, there is the Soviet-Chinese conflict. In the longer run it poses what may be the most important threat. For Soviet Russia, the conflict with China may well be so momentous that it could bring about what is known in diplomatic history as a reversal of alliances. Russia's historic expansion is from Europe eastward across Siberia to the Pacific Ocean. Along the path of this expansion the Russians and the Chinese have a common frontier which is about 4,000 miles long. Against this frontier the Chinese are pushing north, and they are in imminent collision with the Russians moving east. The Russians, we must remember, have always known—it is bred in their bones—that they cannot become engaged vitally and mortally on their two widely separated frontiers at the same time.

TROUBLE WITHIN ATLANTIC ALLIANCE

I have been describing the favorable developments, and I hope I have not caused anyone to think that on this estimate of forces we may now expect world events to go just about the way we would like them to go. They will not go that way. In addition to, in a true sense quite independent of the Western-Soviet conflict, there is a revolutionary condition which prevails in much of Africa and Latin America and south Asia. It has its own native roots and it will not disappear. It will keep these continental areas in turmoil, and it will cause continual friction with the Communist powers. But if, as I have been saying, the basic power relationship is more secure, we should be able to keep Latin America, Africa, and South Asia from becoming the scene of a thermonuclear world war.

Apart from all this, and at the heart of the crucial balance of power between East and West, there is trouble within the Atlantic Alliance. You are aware that our relations with France and Germany have become difficult. In my view, the underlying explanation for the difficulty is that because it now appears to be possible that the Western position is improving in relation to the Communist world, a rivalry for the leadership of the West has become safer and, therefore, more possible and, therefore, more tempting.

I sometimes think of an analogy from the Second World War. You will remember that once the threat to the very existence of Russia and Britain had been overcome, broadly speaking after the Battle of Stalingrad, the rivalries within the anti-Nazi coalition began to come at once to the surface. When the breakout of peace became conceivable, peacetime rivalries reappeared, although there was still a long bloody war to be fought. Something that is faintly like

that is happening within the Atlantic Alliance at this stage of the cold war.

I was struck, when I was in Europe, with how much it is taken for granted that the United States has created a deterrent to war, how much it is treated as an accomplished fact that we have created the power to prevent the Soviet Union from advancing into Europe.

This accomplished fact, which is a comforting one, has in the eyes of many Europeans a great drawback. It means that the United States is the leading power of the Atlantic community. It is human, all too human, to think how much more agreeable it would be if the United States were indissolubly committed to the defense of Europe while the question of when to defend Europe and what to defend it about, and how to conduct relations with the outer world were handed over to older and more experienced hands on the European Continent.

But this is a grandiose daydream. For the United States cannot, and will not, carry the enormous burden of the Alliance, and face the catastrophic dangers of a thermonuclear war if, within the Alliance, it has lost the initiative and the ultimate responsibilities on the issues of peace and war. The President is quite right in telling the French and the Germans that while the United States has no intention of withdrawing from Europe, Europe must realize that the United States could be pushed out of Europe. It could be pushed out if we were maneuvered into a position where we had to defend Europe while the critical decision that led to war were to be made not in Washington but in Paris or Bonn.

MUST FIND WAYS TO HEAL RIVALRIES

The United States could be pushed out if General de Gaulle and Dr. Adenauer proceed relentlessly with the notion of creating a so-called Europe which excludes Great Britain, which ignores the smaller countries now in the Common Market, which freezes out the neutrals, and which disdains a partnership with the United States.

And yet, if, as I have tried to suggest, this rivalry for leadership and these disagreeable disagreements are the effect of a considerable improvement in our Western position, then there is no need to wring our hands.

If we contain the Soviet Union and find ways to live with it, we can find ways to compose the rivalries within the Atlantic world. We need not be discouraged. We must continue, as we have begun, to explain publicly why we do not believe in the kind of exclusive and restricted Europe which General de Gaulle, and intermittently Dr. Adenauer, think might take the place of the Atlantic Community. I am confident that all over Europe, and most specially in West Germany and in France, there is a great majority of people who favor the enlarged, inclusive, and liberal community which we hope for.

ANALYSIS OF THE STOCK MARKET SLUMP NEEDED

Mr. WILEY. Mr. President, yesterday I spoke about the national calamity of school dropouts—a very serious situation in this country. I had referred to the topic fairly well in a speech I made a few days ago in Chicago.

Certainly this matter is a serious one, possibly more serious than the stock market situation about which we have been hearing today. Literally millions of our youth fall out or drop out before they complete the sixth grade of school; and the result is the development of a

segment of our society that is causing a great deal of trouble.

Mr. President, I have listened with interest to the remarks of Senators about the stock market and its slump. I wish to say that the optimism or pessimism of U.S. citizens in our economy is reflected by many measuring sticks.

Currently, we are witnessing drastic and perhaps dangerous downtrends in one of these measuring sticks—the stock market.

Within 2 months, U.S. investors have taken an estimated loss—admittedly, much of it “paper”—of \$75 billion.

From 1959 to 1962 peaks to the present, however, the drop in some stock prices has ranged from 1 percent to more than 62 percent. Values of some of the 40 large corporations have skidded down from a few dollars to over \$6 billion.

Generally, there is a widespread feeling that such drastic fluctuations of the stock market effects only large investors. However, there are more than 13 million shareholders, many of them small, in corporations in this country. The interests of all these people need be protected.

For this reason, the Congress, I believe, through its appropriate committees—perhaps the Banking and Currency Committee—could perform a public service by undertaking hearings:

First. To analyze the causes of the “slump”—whether through manipulation, or lack of confidence, or other reasons;

Second. To evaluate the affect of such a drastic plunge; and

Third. To consider what measures, if any, should be taken to head off any large-scale, adverse impact on the economy.

Mr. President, like almost anything else in life, people differ about the causes of the present stock market slump. But in considering the reasons for it, in addition to those already stated, what about other possible reasons? What about the international situation? What about our so-called foreign trade? What about the other reasons which must be ascertained and evaluated?

Currently, the SEC is making a special study of the practices on the stock exchange. Undoubtedly, this is having its peculiar effect upon the market. Nevertheless, the extent of the plunge, may have wider repercussions upon the overall economy.

I request unanimous consent to have two informative articles appearing in the U.S. News & World Report, and reflecting statistics on the plunge reprinted at this point in the RECORD.

Mr. President, I believe, I repeat, that Congress cannot merely sit by and talk about this situation. Congress must see to it that a careful study of this matter is made.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

AS THE MARKET PLUNGED—WHAT IT ALL MEANS

The bull market lasted 12 years. Then things went wrong.

In 2 months, investors took paper losses of 75 billions. What happened? A combination of things, including a new appraisal of business prospects.

Values placed by investors on stocks melted further in recent days. Erosion of values in little more than 2 months approached \$75 billion.

The index of stock prices measured by the Dow-Jones industrial average reached 734.91 last December 13. That was the bull-market high. By April 30 that index was down to 665. On May 24, the average closed at 622.68—lowest point since January 6, 1961.

Here was a loss of 112 points, or more than 15 percent. What had been a bull market had become, by all indications, a bear market.

REASONS FOR DECLINE

Underway was the process of adjusting values to a new appraisal of the outlook for American business. That appraisal has been influenced by rising competition for U.S. firms from industrial companies abroad. It also was influenced by Government attitudes and actions that caused some lack of confidence in the longer range outlook for profits.

To add to complications, there has been some selling of American securities by foreign owners. The decline in values too, has resulted in some forced selling by American investors who had borrowed money to buy stocks.

It seems to many investors that stock-market values have had a severe adjustment. Records of past bear markets suggest, however, that the overall adjustment can go a good deal lower and result in prices below those prevailing at present.

Stocks, on the basis of broad trends, moved upward from 1949 through 1961. That was the longest bull market on record, interrupted on four occasions by moderate setbacks. The biggest of these setbacks, from July to December in 1959, carried stock prices down, on an average, by 18.3 percent. The decline since last December's high had not, by May 24, matched the dip that occurred in 1959.

HIGHER START

The present decline appears to differ from others of the postwar period. This one started from a level far above any of the past. The ratio of stock prices to earnings had reached a high never before attained.

This time, too, many more basic factors appear to be influencing investor judgment. Fear of inflation appears to have subsided. That makes high-priced, low-yield common stocks less attractive, bonds and mortgages more attractive as investments. Then there are growing doubts that the present upturn in business activity will continue much longer.

Finally, investors appear to have come to the conclusion that stock prices advanced during the bull market to unreasonably high levels. Some of the sharpest declines in prices in recent days have been in stocks that had been selling as high as 40 to more than 100 times earnings. On the Dow-Jones average, stocks sold at the peak at around 24 times earnings. By May 24, the price-earnings ratio on the Dow-Jones list had fallen to about 18.

Bear markets often start ahead of a decline in business activity. They also tend to aggravate a downturn by influencing declines in investor confidence that lead to less spending on such expensive items as automobiles and homes. It also is more difficult for business to raise money in a bear market.

One fact about the trend in stock prices is clear: The time has come when investors must make more careful value judgments when they consider stocks.

The drop in stock prices—a score sheet
[Percentage declines from 1959-62 peaks to
May 23, 1962]

Stocks down more than 40 percent:	
Vending machines.....	62.2
Aluminum.....	53.7
Special machinery.....	45.4
Steel.....	41.8
Cement.....	40.4
Stocks down 30 to 40 percent:	
Sulfur.....	38.6
Bread and cake bakers.....	38.2
Electronics.....	37.7
Motion pictures.....	36.6
Publishing.....	36.4
Airlines.....	36.3
Cigarette manufacturers.....	34.5
Industrial machinery.....	32.8
Oil well machinery.....	32.5
Electrical equipment.....	32.4
Brewers.....	31.3
Shipbuilding.....	31.1
Office, business equipment.....	30.5
Copper.....	30.3
Paper containers.....	30.2
Stocks down 25 to 30 percent:	
Electrical appliances.....	29.7
Food chains.....	29.1
Tires, rubber goods.....	28.8
Shipping.....	28.7
Sugarcane refiners.....	28.4
Fertilizers.....	28.2
Soap.....	27.7
Building materials.....	26.5
Dairy products.....	26.5
Packaged foods.....	26.1
Machine tools.....	26.1
Chemicals.....	25.8
Carpets and rugs.....	25.4
Stocks down 20 to 25 percent:	
Canned foods.....	24.8
Farm machinery.....	24.3
Aerospace manufacturers.....	24.0
Metal fabricating.....	24.0
Radio-TV manufacturers.....	23.8
Lead and zinc.....	23.7
Apparel chains.....	23.5
Apparel manufacturers.....	22.3
Meat packing.....	21.4
Auto parts.....	21.1
Department stores.....	21.0
Cigar makers.....	20.7
Heating, air-conditioning, plumbing equipment.....	20.6
Paper.....	20.5
Railroads.....	20.5
Crude-oil producers.....	20.4
Stocks down 15 to 20 percent:	
Corn refiners.....	19.9
Soft drinks.....	19.2
Confectionery.....	19.0
Construction machinery.....	18.9
Drugs.....	18.9
Finance companies.....	18.5
Steam-generating machinery.....	18.4
Bituminous coal.....	18.3
Variety chains.....	18.1
Telephone.....	18.0
Trucks.....	17.6
Biscuit bakers.....	16.6
Mail-order, general chains.....	16.6
Small-loan companies.....	16.2
Domestic oils.....	16.0
Radio-TV broadcasters.....	15.9
Textile weavers.....	15.8
Railroad equipment.....	15.6
Metal, glass containers.....	15.2
Stocks down less than 15 percent:	
Electric utilities.....	14.7
Rayon and acetate yarn.....	14.3
Natural-gas distributors.....	12.9
Automobiles.....	12.8
Natural-gas pipelines.....	12.3
Distillers.....	12.1
Vegetable oils.....	11.8
Sugarcane producers.....	11.3
Shoes.....	10.6
International oils.....	6.9
Gold mining.....	4.8

[From the U.S. News & World Report,
June 4, 1962]

HOW INVESTORS VALUE THEIR COMPANIES NOW

Investors are drastically revising the way they value American companies. How drastic the change has been can be seen from the chart on this page. The chart shows the value investors now place on representative large companies, compared with the value placed on them when their stocks were at their 1959-62 peaks. Both common and preferred stocks are included. As you can see, ideas about the worth of these corporations are far different from what they were, a short time ago.

HOW THEY FIGURED

Investors at one time set a value of \$6.4 billion on United States Steel. The value set on May 23—taking the number of shares outstanding multiplied by the market price—was less than 3.5 billion. Here the valuation had been reduced by nearly \$3 billion, or 46 percent.

A more startling example of a changed idea of value is provided by Reynolds Metals. At the peak, investors felt that \$1.5 billion would be a fair value for this company. By May 23, they had revised their ideas downward to just over 500 million, or little more than a third as much.

Investors had indicated they felt International Business Machines was worth \$16.7 billion at its peak. That was nearly \$4 billion more than the value placed on Standard Oil (New Jersey) at its peak, in spite of the fact that Jersey Standard, with its worldwide interests, had over six times the net worth of IBM. Today, investors are valuing the two firms about equally. IBM's stock has been marked down nearly \$5.3 billion, Jersey Standard's less than \$1.6 billion.

Texas Instruments is another example of spectacular revaluation—from more than \$1 billion to only \$312 million. Polaroid's value, in terms of the market price of its stock, is down from \$1 billion to less than half that much. The market's valuation of Westinghouse dropped \$1.1 billion, or more than 50 percent.

BASED ON FUTURE

High valuations were related to investors' hopes for rapid growth in profits. IBM at its peak was valued at 81 times annual earnings, Xerox at 123 times. By May 23, IBM was valued at 53 times earnings, Xerox at 59 times.

Investors, it appears, no longer base their valuations quite so heavily on what the faroff future may hold.

Values placed on 40 large corporations— Then and now—Based on market prices of individual stocks

[In millions]

Corporation	At 1959-62 peak	On May 23, 1962
American Telephone & Telegraph.....	\$33,005	\$27,165
General Motors.....	16,862	14,791
International Business Machines.....	16,730	11,452
Du Pont.....	12,995	10,231
Standard Oil (New Jersey).....	12,803	11,233
General Electric.....	8,838	6,090
Texaco.....	7,368	6,750
Sears, Roebuck.....	7,161	5,838
Ford.....	6,465	4,759
U.S. Steel.....	6,400	3,465
Eastman Kodak.....	5,239	3,638
Union Carbide.....	4,330	2,890
R. J. Reynolds Tobacco.....	3,594	2,145
Bethlehem Steel.....	2,824	1,783
General Foods.....	2,684	1,896
Aluminum Co. of America.....	2,487	1,212
General Telephone Electronics.....	2,449	1,614
Westinghouse Electric.....	2,300	1,144
American Home Products.....	2,086	1,449
International Paper.....	1,907	1,267
Goodyear Tire & Rubber.....	1,700	1,227
American Tobacco.....	1,519	1,066

Values placed on 40 large corporations— Then and now—Based on market prices of individual stocks—Continued

[In millions]

Corporation	At 1959-62 peak	On May 23, 1962
Reynolds Metals.....	\$1,488	\$519
Firestone Tire & Rubber.....	1,412	1,074
Radio Corp. of America.....	1,360	943
Caterpillar Tractor.....	1,172	972
National Dairy Products.....	1,128	817
Sperry Rand.....	1,020	501
International Telephone & Tele- graph.....	1,012	687
Polaroid.....	1,006	488
Texas Instruments.....	1,006	312
International Harvester.....	937	827
Anaconda.....	802	471
Zenith.....	746	501
Continental Can.....	733	509
General Dynamics.....	712	319
Xerox.....	648	416
Chrysler.....	635	419
Boeing.....	458	335
Armour.....	306	227

Basic data: Standard & Poor's.

ANALYSIS OF 1962 TRADE EXPAN- SION ACT

Mr. HUMPHREY. Mr. President, Senator EDWARD V. LONG, of Missouri, told the 1962 graduating class of Tarkio College of Tarkio, Mo., to "keep a keen eye" on the foreign trade bill now being debated in the Halls of Congress.

Senator Long addressed the college, Monday, May 28.

How the foreign trade bill is written—

Senator LONG said—

will vitally influence the future of your job and the size of your pay check—no matter where you are or what you are doing.

The Tarkio College graduates heard Missouri's junior Senator analyze the 1962 Trade Expansion Act and point up the need for drastic change in our tariff laws. The success of the European Common Market has made it imperative for the United States to rewrite the present laws.

Senator LONG went on to say:

Founded in 1958, the European Common Market has had a phenomenal success. In the 4 years of its operation, industrial production has risen at an average annual rate of 8 percent, compared with our own rate of 3 percent. During this same period of time, while you were studying for the degree you received today, the gross national product of the Economic Community has been increasing at an annual average rate of 5.6 percent compared with a 2.7 percent in the United States.

In his closing remarks, Senator LONG told the graduates:

As you enter into professions and occupations of your own choice, let me urge you to retain the breadth of outlook, the intellectual curiosity, and the social and political awareness that you have begun to experience in your years at college. Then you will be in a better position, for yourselves, your families, and your country, to deal with the great issues of today and tomorrow which will inescapably confront you. Let me wish you well on the challenging voyage on which you are about to embark.

Mr. President, I ask unanimous consent to have Senator LONG's speech printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

ADDRESS BY SENATOR EDWARD V. LONG,
DEMOCRAT, OF MISSOURI

President Schecter, members of the board of trustees, members of the faculty, fellow students, ladies, and gentlemen, I am most grateful for the honor of addressing the 1962 graduating class of Tarkio College. This is not my first trip to Tarkio by any means. It so happens I am a member of the board of trustees for another MCAU College—Culver-Stockton College at Canton, Mo. Naturally, I am interested in Culver-Stockton's basketball activities. In some of our visits to Tarkio, you people were very kind. On other trips, however, Tarkio basketball teams would beat us so badly that it is rather hard to forget. But, I shouldn't complain. If you'll look back into the basketball history of the two colleges, I think you will find Tarkio College and Culver-Stockton have played each other a total of 58 basketball games. Of that number, Tarkio won only 14 games; while Culver-Stockton was winning 34. You see, I had to brag a little.

Before going any further, I want to congratulate the 1962 graduates of Tarkio College. I am sure you must feel a real sense of accomplishment in having earned a degree from this fine institution. I know that it is not an easy thing to complete all the work required for a bachelor of arts or a bachelor of science degree. I know you will cherish the thoughts of today many, many years from now. I sincerely hope that the few words I have for you will contribute something to the memories you carry away from here.

The selection of a subject for today has not been easy. There is an unlimited number of topics we could discuss that would be of interest to college graduates. "The Effectiveness of the United Nations," "The Pros and Cons of Nuclear Testing," "Disarmaments and Opportunities in the Space Age"—are only a few of the vast number of subjects that would appeal to young men and young women today.

But, for the next few minutes, I would like to speak on the subject: "Foreign Trade—Its Impact and Importance to the College Graduate."

Upon hearing this subject, I wouldn't be at all surprised if you said to yourself: "What he's saying might be fine for somebody else; but it doesn't affect me." This is an impression that must be corrected at once. Foreign trade does affect you—regardless of what you do. Whether you accept a job in industry, go into business for yourself, start farming, or continue your studies for a profession—all are vitally affected by foreign trade.

When the 87th Congress reconvened last January, President Kennedy sent to Congress proposals for a 1962 Trade Expansion Act. Today, these proposals, along with some others, are being discussed on both sides of the aisle in the Senate and in the House of Representatives. Earlier this month, the President chose New Orleans to make a major policy address dealing with Foreign Trade. Without going into detail of the President's program or other proposals, just let me say this: How this trade bill is finally written will vitally influence the future of your job and the size of your pay check—no matter where you are or what you're doing.

After discussing the various proposals with my colleagues, it seems to me that the whole matter can be summed up in a very few words. Congress is simply arguing whether to pass or not to pass a new tariff bill which would permit lowering our trade barriers against import. Tariff bills are as old as our country. One of the very first bills passed by Congress in 1789 was a tariff bill. History shows us that our Founding Fathers—Wash-

ington, Franklin, Adams, Jefferson—were men of trade as well as men of State. Trade represents widening horizons, freedom of choice and individual venture—and so does democracy. The spirit of trade goes hand-in-hand with the spirit of liberty.

One of the Nation's leading financial columnists, in writing about Foreign Trade, points out that America today is considering five critical questions:

1. Dare we join in creating a liberal trade partnership against the Communist Nations in the hope of reaching new peaks of prosperity?

2. Are we tough enough to withstand the pressure from groups who will be hurt if the tariff is lowered?

3. Is this the right time to revamp our tariff position?

4. Is expanded foreign trade so important to America's prosperity?

5. Is it to our benefit to go into partnership with nations who might become our biggest competitors?

This same writer arrives at the conclusion that the answers to these five questions could well determine whether we or the Communists win the cold war.

These questions are controversial and acute. Where did they come from? What is back of all this? The reason we must find the answers to these questions can be stated in four words: The European Common Market. When you enrolled at Tarkio College 4 years ago, the European Common Market was just coming into existence. I would venture to say that the majority of the American people paid little, if any, attention to it. Even though we see, hear, and read much today about the European Common Market, we are still amazingly ignorant of what it means—and what it will mean to America's future.

To better understand the European Common Market, permit me to take just a moment to give you the historical background of this tremendously successful idea.

Europe today faces somewhat the same situation that confronted us at the end of the American Revolution. The 13 States sought to form a political union; today, 13 European countries are seeking to establish an economic union with the ultimate goal of a political union similar to the United States. In 1783, many of our States had little in common save nearness to each other, a largely English heritage, and a love of liberty.

In today's complex world, all nations are closely interrelated. But in some ways we had it easier. Our States all spoke the same language. A variety of tongues exist in the European Economic Community—the formal name for the Common Market—and in the nations which are considering membership. Our States had experienced little rivalry. Many of the European countries have been rivals for hundreds of years and have engaged in numerous wars against each other. Why then do they seek economic and perhaps political union?

European union has been sought since World War II in the first instance, because it became evident to the leading men of Europe that Europe's high tariff walls and jigsaw puzzle of frontiers made little sense economically.

Today, the European Economic Community is an economic union of states, whose purpose it is to weld the separate economies of Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands into one powerful European unit. These six nations face the stupendous task of creating a giant common market for goods, men, and capital.

To Americans these facts seem commonplace; but to the Europeans they represent astounding progress toward eventual political union within a relatively short period of time.

Founded in 1958, the European Common Market has had a phenomenal success. In

the 4 years of its operation, industrial production has risen at an average annual rate of 8 percent, compared with our own rate of 3 percent. During this same period of time, while you were studying for the degree you receive today, the gross national product of the Economic Community has been increasing at an annual average rate of 5.6 percent compared with a 2.7 percent in the United States.

So much for the historical background of the manner in which the Common Market will affect your future and that of the United States.

One of the most serious problems today is increasing our exports. Despite some opinion to the contrary, export trade is vital to our economy. We are now exporting more than \$20 billion in goods to other countries. Exports are larger than sales of primary iron and steel products, than consumer purchases of furniture and household equipment, than consumer purchases of automobiles, parts, and accessories, than other private construction and about equal to residential nonfarm construction. From this enumeration it is safe to conclude that exports are a significant factor in the life of each American, including every American college student.

We export well over half of our total production of tracklaying tractors, locomotives, and industrial serving machines, over 40 percent of our civilian aircraft, of construction graders, and of rolling mill machinery. We sell abroad 35 percent of our oilfield machinery, 25 percent of our synthetic rubber, 20 percent of our textile machinery, 19 percent of our motor trucks and buses. In agriculture, the production of 1 acre out of every 6 is exported. Some 40 percent of these exports go to the Common Market.

When these figures are translated in terms of jobs, the stake of each of us in foreign trade is even more impressive. One of every five or six workers in our factories—a total of over 3 million Americans—owes his job directly to industries turning out goods for sale abroad. One of every seven farmworkers produces for export. Now I think you can begin to see what I mean when I say that whether we like it or not—we must meet these problems head on.

Today, we hear constant repetition that our industries cannot compete with cheap foreign imports. I maintain that our real danger is not low-cost foreign imports, but that American exports may not be able to compete in our most important foreign markets. Common Market tariff walls discriminate against our exports; for example, autos produced within the Common Market will move duty-free within that area while our cars exported there will pay a 22 percent duty. That, on top of transportation costs and national sales taxes, will make competition with Common Market autos almost impossible.

That brings up a point that I fear is misunderstood by many of us. The reduction of tariff rates must work both ways. When the United States lowers its trade barriers, the European Common Market must do likewise.

Our businessmen, workers, and farmers are in critical need of new markets—and the fastest growing market in the world is the European Common Market. Its consumers will be nearly 300 million strong. Its sales possibilities have barely begun to be tapped. Think of the customer opportunities in that market, where, compared to the ratio of ownership in this country, only one-fourth as many consumers have radios, one-seventh as many own TV sets, and only one-fifth as many own automobiles, washing machines, and refrigerators.

If our American producers can properly share in these and other selling opportunities, it will mean more investment, more plants, more jobs and a faster rate of growth in our efficient export industries. But, I

repeat—this is a two-way proposition. To be able to share in this market means we must first strike a bargain—we must have something to offer European producers—we must be willing to give them increased access to our own market and both of us lower trade restrictions. It's a two-way street—we cannot sell without buying.

One hears much about low foreign wages, and I admit that there is some truth in the argument, but I believe it has been tremendously overemphasized. The unfavorable balance between our wages and those of foreign nations is disappearing. Wages in France, Italy, and the United Kingdom have risen an average of 67 percent faster than U.S. wages since 1955. Average wages in Germany increased 13 percent in 1961. The cost of living in those countries has risen half again as fast as ours in the same period. Certainly the persistent foreign demand for American aircraft, for machinery of all types, for electronic equipment, for coal, for textiles, and clothing belie this argument.

In his New Orleans speech earlier this month, President Kennedy dramatized our foreign trade problems as only he can do: "We stand at the great divide," the President said, "deciding whether all this is to go forward or fall back—whether we trade or fade." It's no secret that our international balance of payments is in deficit, requiring an increase in our exports. Japan has regained new force as a trading nation; nearly 50 new nations of Asia and Africa seek new markets; our friends in Latin America seek new means of obtaining development capital; and the Communist bloc has added vast trading resources to its arsenal of penetrating weapons, ready to step in whenever and wherever American leadership should falter. The President made it quite clear that the United States does not intend to falter.

In my remarks, I have, of necessity, been somewhat general, but it seems to me that it is self-evident that this movement for European economic and political union will be a factor in your lives. Even if we wanted, there is no way to turn back the clock. Benjamin Franklin's words, spoken nearly two centuries ago, were never more pertinent. "We must all hang together, or assuredly, we shall all hang separately."

The European Common Market can serve, I believe, as the kind of phenomenon that you and I will want to keep on studying and observing throughout our lifetime. Here is an institution whose roots go back for centuries, but which is in fact about the most modern phenomenon on the political and economic scene today. It is, as I have indicated, an institution which is bound to have a strong and direct impact on our own lives and the lives and fortunes of our children. It is one we ignore at our peril. It is, as we can see, already having an immediate influence on the trade debates in the Halls of Congress today. Institutions like the Common Market and the men and women who are their guiding instruments now more than ever have a worldwide influence.

As you enter into professions and occupations of your own choice, let me urge you to retain the breadth of outlook, the intellectual curiosity, and the social and political awareness that you have begun to experience in your years at college. Then you will be in a better position, for yourselves, your families, and your country, to deal with the great issues of today and tomorrow which will inescapably confront you. Let me wish you well on the challenging voyage on which you are about to embark.

A TRIBUTE TO WEST POINT ON ITS 160TH BIRTHDAY

Mr. YARBOROUGH. Mr. President, the United States Military Academy at

West Point, founded by an act of Congress on March 16, 1802, is now able to look back upon 160 years of glory.

West Point has contributed outstanding guardians of our freedom in peace and war, and continues today to provide the ready leadership for all emergencies in which the security of the country is at stake. The people of America have builded here the greatest military academy of all time. So great have been the achievements of its graduates in time of war, that their peacetime achievements are often overlooked.

West Point's graduates explored the West, and surveyed the routes for the Western roads and railroads to the Pacific. They explored distant lands of the earth and have led and are leading in man's conquest of his environment, the greatest of all of his conquests.

Mr. President, it is with great pride that, as an American, I salute an institution looked upon with pride by all Americans.

I ask unanimous consent to have printed in the RECORD the following article by Henry J. Taylor, entitled "West Point Salute," from the Washington Daily News of Tuesday, May 1, 1962.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WEST POINT SALUTE

(By Henry J. Taylor)

The U.S. Military Academy at West Point is 160 years old. As we count our blessings our Nation might well stand in salute to the star-spangled competence of our military guardians in all the services and the phenomenon this competence represents.

In World War II our need for this competence was nearly appalling. For, as we may forget, we were the only Nation which fought a global war. Our leadership, nevertheless, outmatched the pupils of militarism in the enemy nations that had made their military their gods.

Consider only the Army (including the Air Corps), and let your imagination run to the Navy and Marines as well. On V-J Day we had on active duty in nearly every quarter of the world 1,537 American generals: 4 five-star generals, 12 full generals, 49 lieutenant generals, 399 two-star generals, and 1,073 brigadiers.

Only two of our wartime commanders had reached the permanent rank of full four-star general by V-J Day: Generals MacArthur and Summerall. Only 11 were permanent major generals, and in this official order of seniority: Generals Marshall, Arnold, Pratt, Emmons, Eisenhower, Wainwright, Stilwell, Patton, MacNarney, Somervell, and Bradley.

It's a long, long road to get up there and the brilliant fires of many an earlier American hero is about all that lights the way. For no citizens in our other professions—the corporations, universities, or any walk of life—meet such a grueling, endless system of test, inspection, and rejection as those who advance in all branches of our armed services.

Moreover, no group among us faces such professional problems as the young men coming out of today's West Point, Annapolis, and the Air Force Academy, along with their seniors manning the command posts of today's new military world.

The ancient basic principles of war—the principles of the objective, the offense, economy of force, mobility, surprise, simplicity of plan—these have not changed. But their application undergoes vast transformation in the atomic age.

This change itself is as challenging to our new military guardians today as if America's

surgeons were suddenly required to perform blindfolded or without lights, and without textbooks or precedents showing how to do it. Complain? They would not think of it. "One flag, one land; one heart, one hand; one nation, evermore," is all they want to know about the problem and about the future.

For their mission is freedom. And they are prepared to state that if in the tragic wastes of war we could so magnificently prove the strength of our nonmilitaristic system, founded on love of country, what challenge is there in the future that they cannot meet?

HAVE WE FORGOTTEN THE HOSPITAL WORKER?

Mr. HART. Mr. President, when serious illness strikes, the hospital employee becomes a man or woman of critical importance to us and our families. And yet we deny these workers some of our most rudimentary social rights, such as the right to bargain collectively and to come under coverage of the minimum wage laws. They must wish we had taken a vow to cherish them "in sickness and in health," for surely we do cherish them when sickness brings us to them.

The Commonweal of March 30, 1962, summed up the case most forcefully and effectively. I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PRESCRIPTION FOR THE HOSPITALS

Should hospital workers be permitted to engage in collective bargaining? Or, to put the question in more dramatic but no less accurate terms, should hospitals be exempt from the Federal and State laws which require other employers to pay a minimum wage, maintain decent working conditions and recognize legitimate employees' organizations for purposes of collective bargaining?

We are convinced, on every count, that hospitals should not be exempted from State fair labor laws. We are convinced that the present exemption is unjust and abusive, that it denies hospital workers a fundamental right, that it leads not only to the exploitation of the workers involved but to evil consequences for the hospitals themselves, for their patients and for society at large. We strongly urge the New York Legislature to pass into law the pending bills which would grant hospital workers the rights and protection enjoyed by other citizens.

Spokesmen for the hospitals maintain that their institutions should be exempt from fair labor laws because they are charitable organizations. This is an obvious illogicality in the first place because many other kinds of charitable institutions are not exempted from such labor laws, but more fundamentally because the employees of a charitable institution are not voluntary donors of their time and labor. They are workers, seeking through their wages to maintain themselves and their families in decency. They have a right to a decent wage and to the freedom of deciding, as others do, what and how they will give to charity.

The second argument of the hospitals is simply that they cannot afford to pay the higher wages which collective bargaining would bring. What this amounts to, it seems to us, is an attempt to justify the exploitation of workers in the name of a noble end. If many hospitals today are already in financial straits, which is true, and if the cost of hospital care is already so high that patients need some kind of subsidy to help

pay for this care, which is also true, it nevertheless does not follow that this subsidy should be supplied by one small segment of the community; namely, the unfortunate workers who are least able to carry such a burden. This has been the case up to now, but it is a monstrous perversion of any conception of social justice.

Another argument against recognizing hospital workers' right to collective bargaining is that such a step would lead to strikes, slowdowns and interference with hospital procedures. The easiest reply to these charges is that the record of labor-management relations both in and out of hospitals indicates quite the opposite. The recognition of nurses', technicians' and other professional workers' organizations in hospitals has not led to these dire consequences at all. In the case of the New York hospitals, it seems clear that the denial of orderly means of negotiation left the workers with no recourse whatsoever except to strike. It was, therefore, not the presence of unions so much as their absence which made the strike a necessity for the workers. In any case, a compulsory arbitration clause easily meets the fear of strikes, and much more effectively than nonrecognition of a union.

We do not lightly countenance a hospital strike; we do not deny that many of our hospitals are in urgent need of financial assistance; but the exemption of hospitals from State labor laws is not a just or proper solution to the problem. We think it is important that this exemption be removed, for the sake of the workers involved, but also for the sake of the hospitals and the communities which need them so badly.

NATIONAL SANITATION FOUNDATION

Mr. HART. Mr. President, the University of Michigan at Ann Arbor, long has been one of the Nation's leading centers for research including research into the critically important area of water resources. Among several outstanding programs there is the National Sanitation Foundation.

The Environmental Health Letter of April 15 contains a report of the fine work of the National Sanitation Foundation in its Ann Arbor laboratories. I ask unanimous consent that this portion of the letter be printed at this point in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

NATIONAL SANITATION FOUNDATION—A UNIFYING FORCE

It has been functioning since 1944, it does business in the open, its advisory board members are well known—and yet the National Sanitation Foundation has remained something of a mystery organization in environmental health. Few persons, including some in high places, know what NSF is really like.

We visited NSF's offices and laboratories in Ann Arbor, Mich., recently and came away with the conviction that this organization can play an important and expanding role in any national environmental health program. Its two main functions in such a program would be basically the same as those it has performed so efficiently, if quietly, for many years: as a unifying force in bringing together Government agencies and industry for a resolution of common problems, and as an unbiased testing laboratory for uniform standards.

NSF has done a great deal in those areas—and could do much more in the future. More than 500 industrial firms are now cooperating

in its program of research, education, and service. That is its record. But records are made to build on, not to stand on, and NSF has already embarked on an expansion program in an effort to satisfy its needs for more personnel, more space.

The foundation serves as a bridge between Government and industry mainly through several liaison committees representing many facets of environmental health. The committees are composed of public health and industry representatives. The foundation is their meeting ground, their clearinghouse.

NSF contributes to the strength of each in this role. Its unifying, or middleman role, is not a reflection of the fear that Government and industry have mutually exclusive objectives or that, if left alone, they would attempt to tear each other apart. Rather, it reflects—at least in our view—the need to keep open the channels of communication between Government and industry, to get the practitioners of environmental health speaking a common language and to promote a mutual recognition of the progress each is making.

Environmental health will be poorly served if Government contends industry is dragging its feet in air or water pollution or food protection or radiation protection or occupational health services. It would be equal disservice if industry were to blind itself to the need for governmental partnership in guidance and stimulation of research and control in environmental health. NSF affords a unique forum where the needs of both can be served without rancor.

The National Sanitation Foundation Testing Laboratory, opened in 1952 with grants from the W. K. Kellogg Foundation and Kresge Foundation, was created in recognition of the confusion and expense resulting from lack of national uniform standards for equipment. The testing laboratory conducts research to test and evaluate equipment and products for compliance with NSF standards, which are accepted by many health departments throughout the country.

The NSF seal of approval is authorized for equipment and companies meeting the standards. The seal, which has achieved high importance among manufacturers (comparable to the Underwriters Laboratories seal) is authorized for 1 year only but its continuation may be granted for a longer period following receipt of reexamination at the point of manufacture, of the products to be listed. The laboratory staff has access to the plants at any time and without prior notice.

The foundation has been trying to live down the designation of "sanitation." Its livewire executive director, Walter F. Snyder, says the word has an unsavory connotation in the public mind, being associated with refuse and its collection. Actually, a more proper connotation is cleanliness and its maintenance.

Henry Vaughan, Dr. P. H., dean emeritus of the University of Michigan School of Public Health, and an outstanding statesman of environmental health long before many of us knew what the term meant, is president of the foundation. He has been the guiding force behind two national congresses on environmental health at Ann Arbor and is planning another for June 1963.

ORDER FOR ADJOURNMENT UNTIL FRIDAY AND ADJOURNMENT ON FRIDAY TO TUESDAY, JUNE 5

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate adjourns today, it adjourn to meet at 12 o'clock noon on Friday.

The PRESIDING OFFICER (Mr. METCALF). Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate adjourns on Friday, June 1, it adjourn to meet at 12 o'clock noon on the following Tuesday, June 5.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, for the information of the Senate, let me state that there will be no votes on the coming Friday. The session will be a pro forma one. It is the intention of the leadership to lay down for consideration on Tuesday, June 5, Calendar No. 1495, Senate bill 2996, to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes—in other words, the foreign aid program bill.

THE PRESIDENT AND THE CIGARETTE ISSUE

Mrs. NEUBERGER. Mr. President, I ask unanimous consent that I may have a little more time than the usual 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. NEUBERGER. Mr. President, last Wednesday at his press conference President Kennedy was asked for his views on cigarette smoking and health. The President replied that he was not fully informed on the subject, but that he would prepare to discuss the subject at his next press conference.

Two months ago, I urged the Congress and the administration to act swiftly to stem the macabre epidemic of death and debilitation caused by cigarette smoking. Today, the President will find that the forces of the Government are rapidly being mobilized in this cause. Hopefully, his interest will serve to crystallize their efforts.

Perhaps the most insidious aspect of the cigarette epidemic has been the massive use of advertising to swell the ranks of youthful smokers. It does not take an expert in motivation research to discover that the glorification of a game of tennis—followed by a smoke—or a brisk swim—followed by a smoke—or a romantic encounter—followed by a smoke—is designed solely to convince youth that cigarette smoking is a concomitant of the good life. If this were not sufficient proof of the youth-directed appeal of cigarette advertising, consider the sad fact that tobacco companies account for 40 percent of all national advertising placed in college newspapers.

The continued unrestricted advertisement of cigarettes in effect acts as an implied warranty that cigarettes are not harmful. All of our citizens are aware that the Federal and State Governments, through agencies such as the Food and Drug Administration and the Federal Trade Commission, prohibit the sale and advertising of toxic substances. "If cigarettes really caused lung cancer," the teenager is likely to say, "the companies would never be allowed to advertise."

The Danish cigarette industry has agreed to discontinue film, radio, and magazine advertising of cigarettes. Five major British tobacco firms have voluntarily discontinued television advertising before 9 p.m. But American cigarette

manufacturers continue to abdicate their responsibility.

Fortunately, the Federal Trade Commission and the Public Health Service are not inclined to abdicate theirs. I wrote to Chairman Dixon of the Federal Trade Commission, stating my belief that cigarette commercials and advertisements are misleading and deceptive unless they affirmatively disclosed the fact that cigarettes are hazardous to health. I asked the Chairman whether the Federal Trade Commission now has the power to prevent such deception by requiring each and every cigarette commercial and advertisement to convey a warning that cigarette smoking is unsafe.

I am pleased to report that the Commission has concluded that it has such power.

However, the Commission believes that the Public Health Service has not yet adopted a sufficiently unequivocal position on the causal relationship between cigarette smoking and lung cancer to justify Commission action at this time.

The official position of the Public Health Service is derived from a statement by Dr. Leroy E. Burney, former Surgeon General of the Public Health Service, dated November 28, 1959. Dr. Burney stated:

The weight of evidence at present implicates smoking as the principal etiological factor in the increased incidence of lung cancer.

The Commission considers this statement equivocal.

During the 2½ years since the appearance of Dr. Burney's statement, new studies have continued to reinforce the original hypothesis. For example, tobacco industry representatives have long contended that no one could prove that cancer could be implanted on the skin of mice by the application of cigarette smoke condensates. Yet, on April 18 last, the report of a research project, financed entirely by the tobacco industry itself, confirmed that cigarette smoke planted in the skin of mice can produce cancers. Based upon the cumulative evidence to date, Dr. Michael B. Shimkin, Associate Director for Field Studies of the National Cancer Institute, stated recently that the causal relationship between cigarette smoking and lung cancer, "is as clearly demonstrated as any biological association can be." I have now written to the Public Health Service asking if Dr. Shimkin's statement represents the official position of the Public Health Service. If it does, and I have every reason to believe that it does, this should remove the last barrier to FTC action.

The Public Health Service has had sufficient time to consider the evidence. I see no reason why the President should not be able to obtain an affirmative answer to my inquiry by his next press conference.

The FTC will then be in a position to require every cigarette commercial and advertisement to disclose that smoking is a health hazard. This action will strike at the very heart of the problem. As I have said before, we are not a nation of prohibitionists. If an informed public is determined to continue smoking, it

is not appropriate that we should take any further steps. But the incessant pounding of irresponsible cigarette commercials is a powerful bar to public knowledge. In a recent American Cancer Society poll, only 16 percent of those polled considered cigarette smoking "a major cause of lung cancer." Only adequate warning can cure this grave lapse of knowledge.

This action by the FTC will not remove the need for the Commission on Tobacco and Health proposed in Senate Joint Resolution 174, which I introduced on March 23. It is imperative that such a Commission, composed of experts of public health, medicine, commerce, and agriculture immediately undertake a definitive study of the relationship of the Federal Government to the tobacco industry in light of this scientific evidence.

Mr. President, the June issue of the Reader's Digest contains an excellent summary of the findings of the Royal College of Physicians. However, the Digest takes too pessimistic a view when it concludes that "health services, regulatory agencies, and legislators in Washington" have been timid in approaching the problem of cigarette smoking and health.

I do not consider that I or the cosponsors of my tobacco bill, Senate Joint Resolution 174, have been timid, nor do I consider that the present earnest efforts of the Public Health Service and the Federal Trade Commission can fairly be characterized as timid.

I ask unanimous consent to include at this portion in my remarks correspondence between myself and the Federal Trade Commission, the Public Health Service, as well as the article "Lung Cancer and Cigarettes" from the June issue of the Reader's Digest, as well as a letter to the New York Times which is reprinted in the same issue of the Reader's Digest.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. SENATE, COMMITTEE ON
AGRICULTURE AND FORESTRY,
April 9, 1962.

HON. PAUL RAND DIXON,
Chairman, Federal Trade Commission,
Washington, D.C.

DEAR MR. CHAIRMAN: The Public Health Service has found that cigarette smoking causes lung cancer, and contributes to increased mortality in coronary disease.

In view of these findings, it is clear that cigarette advertisements which fail to disclose these hazards are deceptive.

In your opinion, is the Federal Trade Commission empowered under existing legislation to require that cigarette advertisements and commercials contain adequate warning of the hazards of smoking?

I would appreciate receiving your opinion at the earliest possible moment.

Sincerely,

MAURINE B. NEUBERGER,
U.S. Senator.

FEDERAL TRADE COMMISSION,
Washington, D.C., May 15, 1962.

HON. MAURINE B. NEUBERGER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR NEUBERGER: Thank you for your letter of April 9, 1962, requesting our opinion as to whether the Federal Trade Commission is empowered, under existing

legislation, to require that cigarette advertisements and commercials contain adequate warning of the hazards of smoking.

As you probably know, the Commission has engaged in a constant endeavor to prevent advertisements and commercials for cigarettes from being deceptive or misleading.

As we understand your position, it is that such advertisements and commercials should disclose affirmatively the possible hazards of smoking.

Any authority for the Commission to require such disclosure must rest on its jurisdiction under sections 12(15 U.S.C. 52) and 15 (a) and (c) (15 U.S.C. 55) or 5(15 U.S.C. 45) of the Federal Trade Commission Act.

The first group of sections apply only to false advertisements of "food, drugs, devices, or cosmetics." The Commission attempted to bring a suit under section 13 of the Federal Trade Commission Act (15 U.S.C. 53), which is interrelated to sections 12 and 15 of the act, to enjoin certain advertisements of Chesterfield cigarettes on the ground that cigarettes are "drugs." The courts refused to adopt the Commission's theory and held that cigarettes are not "drugs," so that these sections of the Federal Trade Commission Act applying to false advertisements of drugs, etc., are not applicable. (*Liggett & Meyers Tobacco Co. v. Federal Trade Commission*, 108 F. Supp. 573 U.S.D.C., S.D.N.Y., 1955; "order affirmed on opinion below," 203 F. 2d 956 (2d Cir., 1953).) Thus, in the absence of affirmative therapeutic claims in the advertisements or representations of cigarettes, we do not believe the Commission has any jurisdiction to classify cigarettes as drugs. If such claims were made, then the cigarettes would, in our opinion, come under the definition of "drug" as defined in section 15(a)(1)(c) of the Federal Trade Commission Act, since the claim would be made that they are articles "intended to affect the structure" or a "function of the body" of man.

The Commission has, under section 5 of the Federal Trade Commission Act, required affirmative disclosure in the advertisements of products which are not classified as "food, drugs, devices, or cosmetics," and the orders of the Commission have been upheld by appellate courts, generally on the ground that such disclosure was necessary to prevent deception. (*L. Heller & Son, Inc., et al. v. Federal Trade Commission*, 191 F. 2d 954 (7th Cir., 1951).)

If the Commission is able to secure competent probative scientific evidence including that furnished by the Public Health Service, that a causal relationship exists between cigarette smoking and lung cancer, heart ailments, etc., it is likely that an order of the Commission, based on such evidence, which require an affirmative disclosure of the possible hazards to health from smoking cigarettes, would be upheld in the appellate courts.

We have been informed by the Public Health Service that the scientific evidence now accumulated is such as to remove almost the last doubt that there are major health effects associated with smoking. Furthermore, officials of the Public Health Service have told us that they are now in the process of reevaluating all of the data and evidence as to what practical action can, and should be, taken to decrease any adverse effects on health because of tobacco smoking.

Unquestionably, if the Commission instituted proceedings against any cigarette company, in which it sought to secure the required statutory amount of proof to sustain findings that a causal relationship existed between cigarette smoking and hazards to health, it could be expected that the respondent would contend very vigorously that there is no evidence to sustain such a finding. The result could be a long, involved, and protracted trial before the Commission and in the appellate courts.

Consequently, even though the Commission has the statutory authority to do so, we do not believe it would be advisable for the Commission to institute a case, which has as its objective the type of order you suggest, unless and until there is available the required evidence.

Sincerely yours,

SIGURD ANDERSON,
Acting Chairman.

May 18, 1962.

DR. ARNOLD B. KURLANDER, M.D.,
Assistant Surgeon General for Operations,
Public Health Service,
Washington, D.C.

DEAR DR. KURLANDER: I am enclosing a copy of a letter which I have received from the Acting Chairman of the Federal Trade Commission on the subject of cigarette smoking and health. The Commission has concluded that there does not presently exist probative evidence that cigarette smoking is a health hazard.

The Commission apparently regards as insufficient the official statement of the Public Health Service by Dr. Burney in November 1959 that "the weight of evidence implicates smoking as the principal etiological factor in increased incidence of lung cancer."

It is my understanding that during the 3½ years since the issuance of Dr. Burney's statement, evidence has continued to proliferate of the causal relationship between cigarette smoking and lung cancer.

Dr. Michael B. Shimkin, Associate Director for Field Studies of the National Cancer Institute, stated recently that the causal relationship between smoking and cancer "is as clearly demonstrated as any biological association can be."

Does the Public Health Service officially endorse this statement?

If the Public Health Service is not able to make such an endorsement, can you indicate what modification could be made of Dr. Shimkin's statement to reflect accurately the position of the Public Health Service?

Sincerely,

MAURINE B. NEUBERGER,
U.S. Senator.

LUNG CANCER AND CIGARETTES; HERE ARE THE LATEST FINDINGS

(By Lois Mattox Miller)

Out of London last March came a chill blast which sobered cigarette smokers and jolted the tobacco industry on both sides of the Atlantic. The venerable 444-year-old Royal College of Physicians, which never deals with trivia or sensationalism, completed an exhaustive study and published a fact-filled report, "Smoking and Health," intended to give to doctors and others, evidence on the hazards of smoking so that they may decide what should be done.

The Royal College report stated unequivocally:

"Cigarette smoking is a cause of lung cancer and bronchitis, and probably contributes to the development of coronary heart disease and various less common diseases.

"Cigarette smokers have the greatest risk of dying from these diseases, and the risk is greater for the heavier smokers.

"The many deaths from these diseases present a challenge to medicine; insofar as they are due to smoking they should be preventable.

"The harmful effects of cigarette smoking might be reduced by efficient filters, by leaving longer cigarette stubs, or by changing from cigarette to pipe or cigar smoking."

The report had immediate repercussions in Parliament. It also stirred some nervous activity in Washington, where bureaucrats and Congressmen have dodged or pigeonholed the smoking-health issue for the past 10 years. Tobacco-industry spokesmen issued the standard rejoinder that the evidence was merely "old data without new re-

search findings," but the statement sounded weaker and more pathetic than ever.

Sir Robert Platt, president of the Royal College of Physicians, commented: "Naturally every possible opposition has been raised to the idea that these diseases are due to cigarette smoking. But not one of the opposing theories will hold water, whereas everything confirms the evidence against cigarettes."

Smoker's lungs: "During the past 45 years," the report explained, "lung cancer has changed from an infrequent to a major cause of death in many countries. To account for this increase, it is necessary to postulate some causative agent to which human lungs have been newly and increasingly exposed during the present century. Cigarette smoke is such an agent and there is now a great deal of evidence that it is an important cause of this disease."

Since 1953 at least 23 investigations in 9 different countries have reported on the relationship between lung cancer and smoking. "All these studies," the report states, "have shown that death rates from lung cancer increase steeply with increasing consumption of cigarettes. Heavy cigarette smokers may have 30 times the death rate of nonsmokers. They also have shown that cigarette smokers are much more affected than pipe or cigar smokers (who do not inhale) and that the group which had given up smoking at the start of the survey had a lower death rate than those who had continued to smoke."

This strong statistical association between cigarette smoking and lung cancer "is supported by compatible, though not conclusive, laboratory and pathological evidence." Some 16 substances capable of initiating cancer in animals have been identified in tobacco smoke. In addition to these carcinogens, the smoke contains a variety of irritants which cause "precancerous" changes. These have been noted in the lungs and bronchial tissues of smokers who have died of causes other than lung cancer.

Addressed to doubters: The Royal College report devotes a full section to the theories advanced by those who doubt the cause-and-effect relationship. "None of these explanations fits all the facts as well as the obvious one that smoking is a cause of lung cancer."

How about air pollution, onto which the tobacco propagandists try desperately to shift the blame? In "Smoking and Health," the investigators point to the lung-cancer death rates of smokers and nonsmokers who live in cities, in rural areas and even in countries where air pollution is virtually unknown.

Finland, for example, which has the second highest lung-cancer death rate in Europe is essentially a rural country which has little air pollution but a population of heavy smokers. "This suggests that smoking is more important than air pollution," the report concludes. Moreover, "it is clear that at all levels of air pollution cigarette smokers suffer a risk of lung cancer which increases with the number of cigarettes smoked, and even in the most rural areas of the United Kingdom heavy cigarette smokers develop lung cancer 15 to 20 times as frequently as nonsmokers."

"Smoker's cough": Chronic bronchitis is a frequent cause of death, particularly among middle-aged and elderly men, as well as a common disabling disease. The disease usually starts with persistent coughing and the production of phlegm (productive cough). Then the bronchial tubes become infected and, eventually, persistent breathlessness may develop. In many cases the infection and breathlessness bring on heart failure and death.

"Smoking causes cough and expectoration," the report states. "Most people with smoker's cough lose this symptom when they stop smoking. Many studies have shown that the lungs of smokers are, on the aver-

age, impaired compared to those of nonsmokers, particularly with respect to bronchial air-flow. Among British researchers, Dr. W. Richard Doll and Prof. (Sir Austin) Bradford Hill found a steady increase of bronchitis deaths among heavy smokers. Those who smoked more than 25 cigarettes a day had a death rate from bronchitis 6 times greater than that of nonsmokers. In the United States, Dr. Harold F. Dorn found that death from bronchitis and emphysema was three times as frequent in regular cigarette smokers as in nonsmokers."

Cigarettes may not be the sole or chief cause of bronchitis, the report emphasizes; other factors, chiefly air pollution, probably play a part. But "cigarette smoking often causes productive cough which predisposes to the disabling and fatal forms of bronchitis under the influence of other factors. Cigarette smoking should be regarded as an important contributing factor rendering many men and women liable to a disease which they might have escaped had they not smoked."

Smoker's heart: Coronary heart disease is a more frequent cause of death among cigarette smokers than among nonsmokers. But the British report does not find evidence that cigarette smoking is a cause of coronary heart disease. Nonsmokers, too, commonly have coronaries although "those who gave up smoking have a reduced death rate."

"The association of coronaries with smoking," the Royal College finds, "is clearest in middle age; and then various other factors such as mental strain, sedentary occupation and indulgence in fatty foods, which are thought to increase liability to coronary thrombosis, are also commonly associated with heavy smoking. It seems reasonable at present to agree with the recent statement of the committee on smoking and cardiovascular disease of the American Heart Association, that present evidence 'strongly suggests that heavy cigarette smoking may contribute to or accelerate the development of coronary disease or its complications,' at least in men under the age of 55."

Smoker's ulcer: Tobacco smoke has demonstrable reactions in the stomach and intestines. Gastric hunger contractions, for example, cease after a few puffs on a cigarette. Nonsmokers seem to have better appetites than smokers; and ex-smokers commonly put on weight as soon as they quit the habit. While there is no evidence that smoking causes gastric or duodenal ulcers, "most physicians have seen an adverse effect of heavy smoking" on patients who already have stomach ulcers.

The Royal College report states that the "effect of smoking on the healing of gastric ulcers has been carefully recorded in a controlled study in Britain." Hospital patients with gastric ulcers (all smokers) were divided into two groups. Group A was told to quit smoking, group B was not; otherwise, both received the same medical treatment. "It was noticeable that in patients who continued to smoke, the ulcer actually increased in size while this deterioration was not observed in any of those who gave up smoking." The conclusion: "Smoking does not appear to be a cause of ulcers in the stomach and duodenum but probably exacerbates and perpetuates them."

The word to doctors: "Patients with bronchitis, peptic ulcer and arterial disease should be advised to stop smoking," the Royal College suggests to doctors. "Even a smoker's cough may be an indication that the habit should be given up."

The report observed that the proportion of nonsmoking British doctors has doubled in recent years from 24 percent in 1951 to 50 percent in 1961. "The doctor who smokes cigarettes must, like any other individual, balance these risks against the pleasures he derives from smoking and make his choice. But the doctor who smokes will lessen the effect of public education concerning the

consequences of the habit and will find it harder to help his patients who need to stop smoking."

Preventive measures: The Royal College report is not the first comprehensive analysis to be made of the smoking-health problem. But it is probably the best factual statement, buttressed by over 200 citations of scientific sources, to be written in the plain English which the average layman can understand. (Besides being widely summarized in the British press, the first 15,000 copies of "Smoking and Health" were sold out on publication day and it since has become a paperback best-seller.)

"Smoking and Health" is also the first report to spell out a practical program of preventive measures for the individual and the government. Some specific recommendations:

More public education, and especially of schoolchildren, concerning the hazards of smoking. "The Central Council for Health Education and local authorities spent less than £5000 (\$14,000) in 1956-60, while the tobacco manufacturers spent £38 million (\$107 million) on advertising their goods during this period. Such public education might advise safer smoking habits (filter-tips, longer stubs, preference for pipes or cigars) for those whose addiction is too strong to be broken."

More effective restrictions on the sale of tobacco to children ("cigarettes are freely available in slot machines"). Wider restrictions on smoking in public places.

Raise the tax on cigarettes, and perhaps lower taxes on pipe tobacco and cigars. ("pipe smokers incur a considerably smaller risk than cigarette smokers. The risk in those who smoke only cigars is even smaller and may be no greater than that for non-smokers.")

"Since filters vary in efficiency, it would be desirable to have them tested by some official agency and have the results indicated on the packet."

The Royal College report was immediately subjected to full Parliamentary discussion, and Enoch Powell, the Minister of Health, informed the House of Commons: "The government certainly does accept that this demonstrates authoritatively and unquestionably the casual connection between smoking and lung cancer and the more general hazards to health of smoking." The report's recommendations, he said, "are under consideration by the government."

Whither Washington? The forthright British approach was in sharp contrast to the timidity with which the health services, regulatory agencies and legislators in Washington, D.C., have shied away from the clearly defined issue of smoking and health. In 1959 the Surgeon General of the U.S. Public Health Service published in the *Journal of the American Medical Association* a lengthy report which covered much the same ground as the current Royal College report, and accepted the causative role of cigarettes in lung cancer. But, unfortunately, some of the Surgeon General's colleagues had written into the report a brief paragraph which downgraded and dismissed filter-tips even as partial health protection, and the Federal Trade Commission seized upon this convenient excuse to sweep the whole issue of the tar and nicotine content of American cigarettes under the carpet.¹

There have been, however, a few faint but encouraging signs of a change of heart. Dr. Michael B. Shimkin, of the National Cancer Institute, has come out publicly in support of the American Cancer Society's proposal for a Federal regulation requiring that all packages be clearly labeled with the tar and nicotine content of the cigarettes.

¹ See "Facts We're Not Told About Filter-Tips," the Reader's Digest, July 1961.

Following the publication of the Royal College report (but only then), it was disclosed that a House Appropriations subcommittee had heard the testimony, in closed sessions a month earlier, of physicians from the National Institutes of Health. They stressed the overwhelming evidence linking cigarette smoking with lung cancer and other diseases, and urged an educational campaign on the hazards of smoking.

The FTC, apparently, had been holding its own closed-door meetings to find some way out of its quandary. The trade paper, *Advertising Age*, quoted Byron H. Jacques, head of the FTC bureau of trade practice conferences and industry guides, as admitting: "If there is really a significant difference in the health hazards involved in filter-tips compared with nonfilters, some change in our attitude might be necessary."

The FTC has long argued that it needs scientific authority and new legislation to handle the job properly. But many well-informed Washington lawyers maintain that the Federal Government (Food and Drug Administration, FTC, or USPHS) has all the authority it needs under present laws, including the broad Federal Hazardous Substances Act, which went into effect in July 1960. Many cigarette manufacturers state, privately, that they would welcome package labeling and standardized testing—but (for sound legal reasons) only if the Government takes the initiative and tells them what to do.

So the question is: Who will take the initiative? Perhaps we shall have to wait until (as seems likely) the British set the precedent and shame us into following their lead. Meanwhile, this observation in a well-known British medical journal, the *Lancet*, should be pondered in Washington: "Future historians will have views on our failure to find even a partial solution to the problem of smoking during the first 10 years after its dangers were revealed. The enormous and increasing number of deaths from smoker's cancer may go down in history as a strong indictment of our political and economic ways of life."

[From the New York Times]

WHERE THERE'S SMOKE

TO THE EDITOR OF THE NEW YORK TIMES.

In the Times for March 18 there appeared an analysis of the impact of lung-cancer research upon the cigarette and advertising industries.

The article noted that despite the proliferating evidence that cigarette smoking causes lung cancer, the tobacco industry adheres to the position that the causal connection has not been proved, indeed probably does not exist. The writer cites a recent report by the American Tobacco Co. that its employees smoke twice as much, live longer, and have fewer deaths from cancer and heart disease than the general public. Typically, the report concluded:

"These results are in direct opposition to the hypothesis that cigarette smoking per se causes higher mortality rates generally and/or lung cancer and/or heart disease."

Are they? The following pertinent discussion appeared in the *Journal of the National Cancer Institute* on October 15, 1958:

"It is well known that mortality comparisons cannot be drawn directly between employee groups and the general population, since the death rates for many groups of employed persons are lower than death rates for the general population, with age, sex, and race taken into consideration. This is true because there is a strong tendency to exclude from employment those persons who have acute or chronic diseases or who are seriously disabled from any cause, and those employees who develop permanent disabilities from disease or other causes are usually discharged, retired or dropped from the list of regular employees. Reasons of this nature

undoubtedly account for the deficit in deaths from all causes noted in the group of employees under consideration."

A radically different picture of the relative health of tobacco industry employees emerges from the Society of Actuaries. The society, whose cold and disinterested analysis of statistical data forms the basis for insurance rates, reports that the rate of death and permanent disability claims for tobacco industry employees is significantly higher than the rate for comparable employees in other industries.

The Times article, "Cigarette Men Eye New Threat," fairly captures the callous myopia of the affected industries in regarding the association between smoking and lung cancer solely as a threat to their commercial interests.

Lung cancer does pose a threat to the cigarette industry; it also threatens a substantial segment of the advertising industry. It is a grave threat to national health. And it is a threat that neither the distortion of scientific data nor the most inventive advertising campaign can abate.

MAURINE B. NEUBERGER,
U.S. Senator from Oregon.

SOVIET TRADE DEALS INJURIOUS TO OTHER NATIONS

Mr. KEATING. Mr. President, I have already spoken up several times about the threat the entire free world is facing from the huge step-up of Soviet oil exports. Soviet trade in oil, both with the developed countries of Europe and with the underdeveloped countries of Asia, Africa, and Latin America is a serious menace. So far, nothing has been done about it by NATO or by the Common Market or by OECD. Yet, unless we can awaken the world to what this Soviet tactic really means, and take effective measures to combat it, we may find that the Soviets have established a dangerous economic bridgehead right on our own shores.

One of the first steps that we can undertake, and one of the simplest, is to publicize exactly what the Soviet Union is doing. Soviet diplomats go all around the world promising help at bargain prices in developing local oil and other natural resources for the governments of underdeveloped nations. They call themselves the friend of nationalist enterprises and they fight to exclude American and other private firms from the field.

Yet at the same time, Soviet oil sales, as well as Soviet sales of other commodities are cutting sharply into the prices that other nations depend on for these commodities. The Soviet Union exports large amounts of raw materials, and nearly every ruble's worth that it takes in is basically money taken out of the coffers of the underdeveloped lands that export the same commodities. Why has the United States not been able to get this point across?

In the case of oil, for instance, Soviet sales, at prices considerably below the world market, are a direct blow to Iran, Venezuela, Libya, Algeria, and all the Arab and Persian Gulf countries. When the Soviet Union dumps large quantities of manganese on the market, this hurts India. Soviet sales of tungsten hurt South Korea and Bolivia. Soviet zinc sales cut into Peru's export revenue.

Bolivia and Malaya are victims of cut-rate Soviet sales of tin. The list could be extended much further.

All of these cases need to be widely publicized in the countries that have been affected. The United States must leave no stone unturned to make sure, when the Communists swarm into an area and try to displace free enterprises and initiative—as they are doing—that local citizens are aware of the damage being done to them by Soviet trade policies. Although Communists promise to help underdeveloped countries, in fact they are themselves competing with many of these countries for export markets. And in the process, they are ruthlessly injuring the economies of the very countries they profess to help.

It is evident that the United States has not succeeded in getting the full story across about Soviet dealings. We are letting the Soviets get away with their pose of friend to the newly developed nations, when in many instances they are serious economic rivals. We ought to be denouncing Soviet ventures in these fields just as vigorously and with just as much determination as the Soviets denounce so-called Western imperialism. We should take the initiative here.

In an effort to step up such programs, I have contacted Edward R. Murrow, Director of the U.S. Information Agency, urging increased American information activities along these lines. Because of our incentive system and the fact that these businesses operate independently of the Government, there has recently been a tendency by the Government to turn its back on both the accomplishments and the difficulties of American businesses abroad. Our Government concentrates by far the largest part of its energies in developing a big Government foreign aid program without taking full account of what can be done by working with private or business groups. Similarly, our efforts in information programs are more directed to explaining what the Government policy is than in elaborating the contributions of businesses with flourishing operations around the globe.

Mr. President, the efforts of private enterprise and initiative abroad, whether in the field of oil, or any other commodity or manufactured item, deserve more support than they have recently been receiving. It is very clearly in the national interest for our Government to publicize and promote the activities of U.S. businesses abroad. It is equally clearly in the national interest for our Government to give full publicity overseas to the competing commercial activities of the Soviets in those areas where other nations are injured by Soviet trade deals and where Soviet actions are in such direct and evident contrast to Soviet words.

CONSTRUCTION AND OPERATION OF NAVAJO INDIAN IRRIGATION PROJECT AND INITIAL STAGE OF SAN JUAN-CHAMA PROJECT

Mr. ANDERSON. Mr. President, I ask that there be laid before the Sen-

ate a message from the House concerning S. 107, a bill to authorize the Secretary of the Interior to construct, operate, and maintain the Navajo Indian irrigation project and the initial stage of the San Juan-Chama project as participating projects of the Colorado River storage project.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 107) to authorize the Secretary of the Interior to construct, operate, and maintain the Navajo Indian irrigation project and the initial stage of the San Juan-Chama project as participating projects of the Colorado River storage project, and for other purposes, which was to strike out all after the enacting clause and insert:

That, for the purposes of furnishing water for the irrigation of irrigable and arable lands and for municipal, domestic, and industrial uses, providing recreation and fish and wildlife benefits, and controlling silt, and for other beneficial purposes, the Congress approves as participating projects of the Colorado River storage project (Act of April 11, 1956, 70 Stat. 105, as amended, 43 U.S.C. 620-620o) the Navajo Indian irrigation project, New Mexico, and the initial stage of the San Juan-Chama project, Colorado-New Mexico. The Navajo Indian irrigation project and the initial stage of the San Juan-Chama project herein approved are substantially those described in the proposed coordinated report of the Acting Commissioner of Reclamation and the Commissioner of Indian Affairs, approved and adopted by the Secretary of the Interior on October 16, 1957, as conditioned, modified, and limited herein.

NAVAJO INDIAN IRRIGATION PROJECT

Sec. 2. Pursuant to the provisions of the Act of April 11, 1956, as amended, the Secretary of the Interior is authorized to construct, operate, and maintain the Navajo Indian irrigation project for the principal purpose of furnishing irrigation water to approximately one hundred and ten thousand six hundred and thirty acres of land, said project to have an average annual diversion of five hundred and eight thousand acre-feet of water and the repayment of the costs of construction thereof to be in accordance with the provisions of said Act of April 11, 1956, as amended, including, but not limited to, section 4(d) thereof.

Sec. 3. (a) In order to provide for the most economical development of the Navajo Indian irrigation project, the Secretary shall declare by publication in the Federal Register that the United States of America holds in trust for the Navajo Tribe of Indians any legal subdivisions or unsurveyed tracts of federally owned land outside the present boundary of the Navajo Indian Reservation in New Mexico in townships 28 and 29 north, ranges 10 and 11 west, and townships 27 and 28 north, ranges 12 and 13 west, New Mexico principal meridian, susceptible to irrigation as part of the project or necessary for location of any of the works or canals of such project: *Provided, however*, That no such legal subdivision or unsurveyed tract shall be so declared to be held in trust by the United States for the Navajo Tribe until the Navajo Tribe shall have paid the United States the full appraised value thereof: *And provided further*, That in making appraisals of such lands the Secretary shall consider their values as of the date of approval of this Act, excluding therefrom the value of minerals subject to leasing under the Act of February 25, 1920, as amended (30 U.S.C. 181-286), and such leaseable minerals shall not be held in trust for

the Navajo Tribe but shall continue to be subject to leasing under the Act of February 25, 1920, as amended, after the lands containing them have been declared to be held in trust by the United States for the Navajo Tribe.

(b) The Navajo Tribe is authorized to convey to the United States, and the Secretary shall accept on behalf of the United States, title to any land or interest in land within the above-described townships, susceptible to irrigation as part of the Navajo Indian irrigation project or necessary for location of any of the works or canals of such project, acquired in fee simple by the Navajo Tribe, and after such conveyance said land or interest in land shall be held in trust by the United States for the Navajo Tribe as a part of the project.

(c) The Secretary is authorized to acquire by purchase, exchange, or condemnation any other land or interest in land within the townships above described susceptible to irrigation as part of the Navajo Indian irrigation project or necessary for location of any of the works or canals of such project. After such acquisition, said lands or interest in lands shall be held by the United States in trust for the Navajo Tribe of Indians.

Sec. 4. In developing the Navajo Indian irrigation project, the Secretary is authorized to provide capacity for municipal and industrial water supplies or miscellaneous purposes over and above the diversion requirements for irrigation stated in section 2 of this Act, but such additional capacity shall not be constructed and no appropriation of funds for such construction shall be made until contracts have been executed which, in the judgment of the Secretary, provide satisfactory assurance of repayment of all costs properly allocated to the purposes aforesaid with interest as provided by law.

Sec. 5. Payment of operation and maintenance charges of the irrigation features of the Navajo Indian irrigation project shall be in accordance with the provisions of the Act of August 1, 1914 (38 Stat. 582, 583), as amended (25 U.S.C. 385): *Provided*, That the Secretary may transfer to the Navajo Tribe of Indians the care, operation, and maintenance of all or any part of the project works, subject to such rules and regulations as he may prescribe and, in such event, the Secretary may transfer to the Navajo Tribe title to movable property necessary to the operation and maintenance of those works.

Sec. 6. For the period ending ten years after completion of construction of the Navajo Indian irrigation project no water from the project shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in section 408(c) of the Agricultural Act of 1949 (63 Stat. 1056, 7 U.S.C. 1428), or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938 (52 Stat. 41), as amended (7 U.S.C. 1281), unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

Sec. 7. There are hereby authorized to be appropriated to the Bureau of Indian Affairs such sums as may be required to construct the Navajo Indian irrigation project, including the purchase of lands under section 3, subsection (c), of this Act, but not more than \$135,000,000 (June 1961 prices) plus or minus such amounts, if any, as may be required by reason of changes in construction costs as indicated by engineering cost indices applicable to the types of construction involved therein.

SAN JUAN-CHAMA RECLAMATION PROJECT
(INITIAL STAGE)

SEC. 8. Pursuant to the provisions of the Act of April 11, 1956, as amended, the Secretary is authorized to construct, operate, and maintain the initial stage of the San Juan-Chama project, Colorado-New Mexico, for the principal purposes of furnishing water supplies to approximately thirty-nine thousand three hundred acres of land in the Cerro, Taos, Llano, and Pojoaque tributary irrigation units in the Rio Grande Basin and approximately eighty-one thousand six hundred acres of land in the existing Middle Rio Grande Conservancy District and for municipal, domestic, and industrial uses, and providing recreation and fish and wildlife benefits. The diversion facilities of the initial stage authorized herein shall be so constructed and operated as to divert only natural flow of the Navajo, Little Navajo, and Blanco Rivers in Colorado as set forth in the supplemental project report dated May 1957. The principal engineering works of the initial stage development, involving three major elements, shall include diversion dams and conduits, storage and regulation facilities at the Heron Numbered 4 Reservoir site, enlarged outlet works of the existing El Vado Dam, and water use facilities consisting of reservoirs, dams, canals, lateral and drainage systems, and associated works and appurtenances. The construction of recreation facilities at the Nambe Reservoir shall be contingent upon the Secretary's making appropriate arrangements with the governing body of the Nambe Pueblo for the operation and maintenance of such facilities, and the construction of recreation facilities at the Heron Numbered 4, Valdez, and Indian Camp Reservoirs shall be contingent upon his making appropriate arrangements with a State or local agency or organization for the operation and maintenance of those facilities: *Provided, That—*

(a) the Secretary shall so operate the initial stage of the project authorized herein that diversions to the Rio Grande Valley shall not exceed one million three hundred and fifty thousand acre-feet of water in any period of ten consecutive years, reckoned in continuing progressive series starting with the first day of October after the project shall have commenced operation: *Provided, however, That not more than two hundred and seventy thousand acre-feet shall be diverted in any one year;*

(b) the Secretary shall operate the project so that there shall be no injury, impairment, or depletion of existing or future beneficial uses of water within the State of Colorado, the use of which is within the apportionment made to the State of Colorado by article III of the Upper Colorado River Basin compact, as provided by article IX of the Upper Colorado River Basin compact and article IX of the Rio Grande compact;

(c) all works of the project shall be constructed so as to permit compliance physically with all provisions of the Rio Grande compact, and all such works shall be operated at all times in conformity with said compact;

(d) the amount of water diverted in the Rio Grande Basin for uses served by the San Juan-Chama project shall be limited in any calendar year to the amount of imported water available to such uses from importation to and storage in the Rio Grande Basin in that year;

(e) details of project operation essential to accounting for diverted San Juan and Rio Grande flows shall be developed through the joint efforts of the Rio Grande Compact Commission, the Upper Colorado River Commission, the appropriate agencies of the United States and of the States of Colorado, New Mexico, and Texas, and the various project entities. In this connection the States of Texas and New Mexico shall agree, within a reasonable time, on a system of gaging devices and measurements to secure

data necessary to determine the present effects of tributary irrigation, as well as present river channel losses: *Provided, That if the State of Texas shall require, as a condition precedent to such agreement, gaging devices and measurements in addition to or different from those considered by the Department of the Interior and the State of New Mexico to be necessary to this determination, the State of Texas shall pay one-half of all costs of constructing and operating such additional or different devices and making such additional or different measurements which are not borne by the United States. The results of the action required by this subsection shall be incorporated in a written report transmitted to the States of Colorado, Texas, and New Mexico for comment in the manner provided in the Flood Control Act of 1944 before any appropriation shall be made for project construction;*

(f) the Secretary shall operate the project so that for the preservation of fish and aquatic life the flow of the Navajo River and the flow of the Blanco River shall not be depleted at the project diversion points below the values set forth at page D2-7 of appendix D of the United States Bureau of Reclamation report entitled "San Juan-Chama Project, Colorado-New Mexico", dated November 1955;

(g) the Secretary is hereby authorized to construct the tunnel and conduit works of the initial stage of the San Juan-Chama project with sufficient capacity for future diversion of an average of two hundred and thirty-five thousand acre-feet per annum: *Provided, however, That nothing contained in this Act shall be construed as committing the Congress of the United States to future authorization of any additional stage of the San Juan-Chama project.*

SEC. 9. For the period ending ten years after completion of construction of the initial stage of the San Juan-Chama project no water from the project shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in section 408(c) of the Agricultural Act of 1949 (63 Stat. 1056, 7 U.S.C. 1428), or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938 (52 Stat. 41), as amended (7 U.S.C. 1281), unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

SEC. 10. The amount which section 12 of the Act of April 11, 1956, authorizes to be appropriated is hereby increased by \$85,828,000 (June 1961 prices) plus or minus such amounts, if any, as may be required by reason of changes in construction costs as indicated by engineering cost indices applicable to the types of construction involved, which increase shall be available solely for construction of the San Juan-Chama project and shall not be used for any other purpose.

GENERAL

SEC. 11. (a) No person shall have or be entitled to have the use for any purpose, including uses under the Navajo Indian Irrigation project and the San Juan-Chama project authorized by sections 2 and 8 of this Act, of water stored in Navajo Reservoir or of any other waters of the San Juan River and its tributaries originating above Navajo Reservoir to the use of which the United States is entitled under these projects except under contract satisfactory to the Secretary and conforming to the provisions of this Act. Such contracts, which, in the case of water for Indian uses, shall be executed with the Navajo Tribe, shall make provision, in any year in which the Secretary antici-

pates a shortage, taking into account both prospective runoff originating above Navajo Reservoir and the available water in storage in Navajo Reservoir, for a sharing of the available water in the following manner: The prospective runoff shall be apportioned between the contractors diverting above and those diverting at or below Navajo Reservoir in the proportion that the total normal diversion requirement of each group bears to the total of all normal diversion requirements. In the case of contractors diverting above Navajo Reservoir, each such contract shall provide for a sharing of the runoff apportioned to said group in the same proportion as the normal diversion requirement under said contract bears to the total normal diversion requirements of all such contracts that have been made hereunder: *Provided, That for any year in which the foregoing sharing procedure either would apportion to any contractor diverting above Navajo Reservoir an amount in excess of the runoff anticipated to be physically available at the point of his diversion, or would result in no water being available to one or more such contractors, the runoff apportioned to said group shall be reapportioned, as near as may be, among the contractors diverting above Navajo Reservoir in the proportion that the normal diversion requirements of each bears to the total normal diversion requirements of the group. In the case of contractors diverting from or below Navajo Reservoir, each such contract shall provide for a sharing of the remaining runoff together with the available storage in the same proportion as the normal diversion requirement under said contract bears to the total normal diversion requirements under all such contracts that have been made hereunder.*

The Secretary shall not enter into contracts for a total amount of water beyond that which, in his judgment, in the event of shortage, will result in a reasonable amount being available for the diversion requirements for the Navajo Indian Irrigation project and the initial stage of the San Juan-Chama project as specified in sections 2 and 8 of this Act.

No long-term contract, except contracts for the benefit of the lands and for the purposes specified in sections 2 and 8 of this Act, shall be entered into for the delivery of water stored in Navajo Reservoir or of any other waters of the San Juan River and its tributaries, as aforesaid, until the Secretary has determined by hydrologic investigations that sufficient water to fulfill said contract is reasonably likely to be available for use in the State of New Mexico during the term thereof under the allocations made in articles III and XIV of the Upper Colorado River Basin compact, and has submitted such determination to the Congress of the United States and the Congress has approved such contracts: *Provided, That nothing contained in the foregoing shall be construed to forbid the Secretary from entering into temporary water supply contracts in the San Juan River Basin for any year in which he determines that water legally available for use in the upper basin of the Colorado River system would otherwise not be used there and is not needed to fulfill the obligations of the upper division States with respect to delivery of water at Lee Ferry.*

(b) If contracts are entered into for delivery from storage in Navajo Reservoir of water not covered by subsection (a) of this section, such contracts shall be subject to the same provision for sharing of available water supply in the event of shortage as in the case of contracts required to be made pursuant to subparagraph (a) of this section.

(c) This section shall not be applicable to the water requirements of the existing Fruitland, Hogback, Cudal, and Cambridge Indian irrigation projects, nor to the water

required in connection with the extension of the irrigated acreages of the Fruitland and Hightback Indian irrigation projects in a total amount of approximately eleven thousand acres.

Sec. 12. (a) None of the project works or structures authorized by this Act shall be so operated as to create, implement, or satisfy any preferential right in the United States or any Indian tribe to the waters impounded, diverted, or used by means of such project works or structures, other than contained in those rights to the uses of water granted to the States of New Mexico or Arizona pursuant to the provisions of the Upper Colorado River Basin compact.

(b) The projects authorized by this Act shall be so operated that no waters shall be diverted or used by means of the project works, which, together with all other waters used in or diverted from the San Juan River Basin in New Mexico, will exceed the water available to the States of New Mexico and Arizona under the allocation contained in article III of the Upper Colorado River Basin compact for any water year.

Sec. 13. (a) The use of water, including that diverted from the Colorado River system to the Rio Grande Basin, through works constructed under authority of this Act, shall be subject to and controlled by the Colorado River compact, the Upper Colorado River Basin compact, the Boulder Canyon Project Act, the Colorado River Storage Project Act, and the Mexican Water Treaty (Treaty Series 994), and shall be included within and shall in no way increase the total quantity of water to the use of which the State of New Mexico is entitled and limited under said compacts, statutes, and treaty, and every contract entered into under this Act for the storage, use, and delivery of such water shall so recite.

(b) All works constructed under authority of this Act, and all officers, employees, permittees, licensees, and contractors of the United States and of the State of New Mexico acting pursuant thereto and all users and appropriators of water of the Colorado River system diverted or delivered through the works constructed under authority of this Act and any enlargements or additions thereto shall observe and be subject to said compacts, statutes, and treaty, as hereinbefore provided, in the diversion, delivery, and use of water of the Colorado River system, and such condition and covenant shall attach as a matter of law whether or not set out or referred to in the instrument evidencing such permit, license, or contract and shall be deemed to be for the benefit of and be available to the States of Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming and the users of water therein or thereunder by way of suit, defense, or otherwise in any litigation respecting the waters of the Colorado River system.

(c) No right or claim of right to the use of the waters of the Colorado River system shall be aided or prejudiced by this Act, and Congress does not, by its enactment, construe or interpret any provision of the Colorado River compact, the Upper Colorado River Basin compact, the Boulder Canyon Project Act, the Colorado River Storage Project Act, or the Mexican Water Treaty or subject the United States to, or approve or disapprove any interpretation of, said compacts, statutes, or treaty, anything in this Act to the contrary notwithstanding.

Sec. 14. In the operation and maintenance of all facilities under the jurisdiction and supervision of the Secretary of the Interior authorized by this Act, the Secretary is directed to comply with the applicable provisions of the Colorado River compact, the Upper Colorado River Basin compact, the Boulder Canyon Project Act, the Boulder Canyon Project Adjustment Act, the Colo-

rado River Storage Project Act and the treaty with the United Mexican States in the storage and release of water from reservoirs in the Colorado River Basin. In the event of the failure of the Secretary of the Interior to so comply, any State of the Colorado River Basin may maintain an action in the Supreme Court of the United States to enforce the provisions of this section, and consent is given to the joinder of the United States as a party in such suit or suits, as a defendant or otherwise.

Sec. 15. The Secretary of the Interior is directed to continue his studies of the quality of water of the Colorado River system, to appraise its suitability for municipal, domestic, and industrial use and for irrigation in the various areas in the United States in which it is used or proposed to be used, to estimate the effect of additional developments involving its storage and use (whether heretofore authorized or contemplated for authorization) on the remaining water available for use in United States, to study all possible means of improving the quality of such water and of alleviating the ill effects of water of poor quality, and to report the results of his studies and estimates to the Eighty-seventh Congress and every two years thereafter.

Sec. 16. (a) The diversion of water for either or both of the projects authorized in this Act shall in no way impair or diminish the obligation of the "States of the upper division" as provided in article III(d) of the Colorado River compact "not to cause the flow of the river at Lee Ferry to be depleted below an aggregate of seventy-five million acre-feet for any period of ten consecutive years reckoned in continuing progressive series beginning with the first day of October next succeeding the ratification of this compact."

(b) The diversion of water for either or both of the projects authorized in this Act shall in no way impair or diminish the obligation of the "States of the upper division" to meet their share of the Mexican Treaty burden as provided in article III(c) of the Colorado River compact.

Sec. 17. Section 12 of the Act of April 11, 1956, shall not apply to the works authorized by this Act except as otherwise provided by section 10 of this Act.

Sec. 18. The Act of April 11, 1956, as amended, is hereby further amended as follows: (i) In section 1, subsection (2), after the words "Central Utah (initial phase)" delete the colon and insert in lieu thereof a comma and the words "San Juan-Chama (initial stage)," and after the word "Lyman" insert the words "Navajo Indian,,"; (ii) in section 2 delete the words "San Juan-Chama, Navajo," from the first sentence; (iii) in section 5, subsection (e), in the phrase "herein or hereinafter authorized" delete the word "hereinafter" and insert in lieu thereof the word "hereafter"; (iv) in section 7 in the phrase "and any contract lawfully entered into under said compacts and Acts" delete the word "unto" and insert in lieu thereof the word "into".

Mr. ANDERSON. Mr. President, S. 107, which I had the honor of sponsoring in this Congress for myself and the senior Senator from New Mexico [Mr. CHAVEZ], was passed by the House on May 23 after that body had stricken all after the enacting clause from the measure as approved by the Senate on March 28, 1961, and in lieu thereof had substituted the language of H.R. 7596.

There are several differences of substance between the Senate and House versions of the Navajo-San Juan-Chama bill. One is with respect to the wording of the so-called surplus crop provision which the Interior Committees of the

Senate and House in recent years have been writing into all reclamation project bills. This provision is designed to meet the objections of those who oppose irrigation projects on the ground that since the Federal Government presently is paying farmers to take land out of the production of certain crops which now are in oversupply, we should not at the same time be bringing additional acreage under cultivation by irrigation. This is not the moment to argue the overall issue of the continuing necessity for reclamation and water resource development if our future needs are to be met. Today's surpluses are very temporary, and our Nation and the world will need ever better crop-producing lands, as well as greater and greater supplies of water for municipal and industrial uses. There are no surpluses of water for such purposes, and within a few years today's crop surpluses will turn into food deficits.

Hitherto, the surplus crop provision in irrigation and reclamation bills has stated that for a period of 10 years from enactment of the act authorizing a project, no water should be delivered to newly irrigated lands for the cultivation of any basic agricultural commodity which is in excess production. The parent act to the Navajo-San Juan-Chama bill, the Colorado River Storage Project Act, Public Law 485, 84th Congress, has such a requirement, and I ask unanimous consent, Mr. President, that the text of this provision, which is the second proviso of section 4 of the Colorado River Storage Project Act, be printed in the RECORD at this point in my remarks.

There being no objection, the proviso was ordered to be printed in the RECORD, as follows:

SECOND PROVISO OF SECTION 4 OF THE COLORADO RIVER STORAGE PROJECT ACT, PUBLIC LAW 485, 84TH CONGRESS

Provided further, That for a period of 10 years from the date of enactment of this Act, no water from any participating project authorized by this Act shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in the Agricultural Act of 1949, or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would normally be marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938, as amended, unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

Mr. ANDERSON. Mr. President, this language, as I say, is the usual provision that has been written into reclamation project bills in recent years, and it is the requirement of the parent act to the measure before us.

In the case of the Navajo bill, however, the House Interior and Insular Affairs Committee wrote in a somewhat more restrictive provision and it was adopted by the House. The House provision requires that no such crops shall be produced on the newly irrigated lands for a period of 10 years after completion of construction of the project.

The Navajo tribe, whose reservation lands are the primary area that will be

affected by the limitation, has considered the provision and the tribe believes it can live with the House provision. I ask unanimous consent, Mr. President, that a letter I have received only today from Norman Littell, general counsel of the Navajo Tribe in setting forth the tribe's views, and a telegram to him from tribal leaders be printed in the RECORD at this point in my remarks.

There being no objection, the communications were ordered to be printed in the RECORD, as follows:

MAY 29, 1962.

HON. CLINTON P. ANDERSON,
Chairman, Interior and Insular Affairs Committee, U. S. Senate, Washington, D.C.

DEAR SENATOR ANDERSON: Enclosed herewith is a telegram just received urging on behalf of the Navajo Tribe the immediate passage of S. 107 as amended.

The Navajo Tribal Council is now in session and a proposed resolution is being submitted immediately to the council to the same effect as set forth in the enclosed telegram. The tribe and its leaders have waited and worked for so many years for this irrigation project that approval of the resolution by the council is a forgone conclusion as affirmed by Paul Jones, chairman, and J. Maurice McCabe, executive secretary, based upon discussions with councilmen.

However, due to the 3 hours difference in time between Window Rock, Ariz., and Washington, D.C., this resolution could not become available until late this afternoon. You will be immediately advised of the action taken by the council.

In the meantime, I am instructed to convey to you the thanks of the Navajo people for your outstanding leadership over many years in respect to the two projects provided for in S. 107. The appreciation of the Navajos likewise extends to all Members of the Congress of the United States who have helped, and who may hereafter help, to bring to full reality this irrigation project long needed for the settlement of Navajo families.

Sincerely yours,

NORMAN M. LITTELL,
General Counsel, the Navajo Tribe.

MAY 29, 1962.

Re San Juan-Chama Navajo Irrigation Project, S. 107.

MR. NORMAN M. LITTELL,
Washington, D. C.:

Please advise Senator ANDERSON we unqualifiedly urge passage in the Senate of S. 107 as amended and hope that preliminary appropriations for engineering work may follow in this session of Congress. We are submitting immediately to the Navajo Tribal Council now in session a resolution to this effect which I am sure from discussion with members of the council will be approved today and airmailed to Washington. Please express to Senator ANDERSON and other proponents of this bill our deep appreciation, as the council will also wish to do, on behalf of the Navajo people, for the passage of this bill of such major significance to the Navajo people.

PAUL JONES,
Chairman, Navajo Tribal Council.
MAURICE MCCABE,
Executive Secretary.

MR. ANDERSON. Mr. President, another difference of substance between the Senate and House versions of S. 107 is that the House Interior and Insular Affairs Committee wrote in a provision in the third paragraph of section 11(a) of its bill requiring that long-term contracts by the Secretary of the Interior for the delivery of water must be approved by the Congress. This provision

for affirmative congressional action approving each contract is new to reclamation law, and goes beyond the established practices and procedures of the Department of the Interior.

I ask unanimous consent that the text of a letter to me dated May 24, 1962, from the Commissioner of Reclamation outlining present procedures be inserted into the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF RECLAMATION,
Washington, D.C., May 24, 1962.

HON. CLINTON P. ANDERSON,
Chairman, Committee on Interior and Insular Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In response to your request, we are pleased to advise you concerning the procedures followed by the Bureau of Reclamation in obtaining repayment contract coverage for irrigation and municipal water costs of reclamation projects.

Repayment contract negotiations usually begin shortly after the project is authorized. If new areas are to be furnished water supplies from the project, sometimes it is necessary to establish a suitable local organization or organizations to contract with the United States. The type of organization would depend upon the size and scope of the project, the purposes to be served, and the governing provisions of State and Federal laws.

With the establishment of suitable water user organizations, the Commissioner of Reclamation authorizes the basis for initiating the negotiation of a repayment contract with the local officials. The contract would necessarily reflect the special provisions on reimbursement generally included in new project authorizing legislation, and would necessarily be consistent with the general requirements of reclamation law and of appropriate State laws.

When the Bureau of Reclamation reaches agreement with the local organization on a draft of contract, the Commissioner of Reclamation then submits the contract to the Secretary for approval as to form. Thereafter, in most cases, the local organization will submit the contract, or its terms, for the approval of the local voters. In some States, it may also be necessary to obtain the approval of a State agency.

Following voters' approval, the appropriate local official would execute the contract, and then the contract would be executed on behalf of the United States. The contract would finally become effective when validated by the appropriate court of the State where the organization is located.

This is the general procedure followed by the Bureau of Reclamation in securing repayment contracts. In some cases, of course, there may be departures where there are special provision of applicable Federal and State laws.

Sincerely yours,

FLOYD E. DOMINY,
Commissioner.

MR. ANDERSON. Mr. President, as a matter of political philosophy, I feel strongly that Congress should fulfill its constitutional responsibilities with respect to control over Federal property and Federal expenditures. But I do believe that to require affirmative action by the Senate, the House, and the President on each and every water delivery contract may be cumbersome and time consuming.

Personally I feel that a provision such as the Interior and Insular Affairs Committee wrote into the Small Reclamation Projects Act, Public Law 984, 84th

Congress, and which also is a part of the Watershed Act, Public Law 566, 83d Congress, is preferable. These acts authorize the Executive to enter into contracts, but require that they be submitted to Congress and lie before the appropriate committees of the House and Senate for a period of 60 days during which either committee may disapprove the contract. In this event, no Federal funds may be appropriated or expanded for the project.

However, that is not the way the House wrote its contract approval amendment into S. 107. I believe the people of New Mexico can live with the House language and that Senators and Representatives in Congress from neighboring States who have an interest in the waters of the Colorado River will display good faith in not blocking or delaying approval of bona fide water delivery contracts in New Mexico which are in the public interest. I assume that future irrigation bills will carry similar provisions. I am sorry that New Mexico had to be the pioneer in this respect, but since the provision is philosophically sound, and in accordance with the Constitution, we accept it.

There are of course several other differences between the House and Senate versions of S. 107, but the two I have discussed appear to be of the most substance and to make new departures in reclamation law.

While the bill as amended in the House is not wholly as I myself would like to have it, nevertheless in view of the immediate need to start on the projects, and in view of all that has gone into bringing them this far, I move, Mr. President, that the Senate concur in the House amendment to S. 107.

MR. PRESIDENT, I have discussed this question with the majority and minority members of the Subcommittee on Irrigation and Reclamation and of the Committee on Interior and Insular Affairs, as well as with the majority leader and minority leader.

I move that the Senate concur in the House amendment.

THE PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from New Mexico.

The motion was agreed to.

REPEAL OF SUBSECTION (a) OF SECTION 8 OF THE PUBLIC BUILDINGS ACT OF 1959

MR. MUSKIE. Mr. President, I ask that the Presiding Officer lay before the Senate the amendment of the House of Representatives to S. 3157.

THE PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 3157) to repeal subsection (a) of section 8 of the Public Buildings Act of 1959, limiting the area in the District of Columbia within which sites for public buildings may be acquired, which was, after line 9, insert:

SEC. 3. Section 8 of the Public Buildings Act of 1959 (73 Stat. 481; 40 U.S.C. 607) is amended by adding at the end thereof the following new subsection:

"(c) With respect to any lands located south of Independence Avenue, between

Third Street SW. and Eleventh Street SE., in the District of Columbia, no such lands shall be acquired by the Administrator for use as sites, or additions to sites, without prior consultation with the House Office Building Commission created by the Act of March 4, 1907 (34 Stat. 1365).

"With respect to any lands located in the area extending from the United States Capitol Grounds to Eleventh Street NE. and SE. and bounded by Independence Avenue on the south and G Street NE. on the north, in the District of Columbia, no such lands shall be acquired by the Administrator for use as sites, or additions to sites, without prior consultation with the Architect of the Capitol."

Mr. MUSKIE. Mr. President, the bill S. 3157, to repeal a section of the Public Buildings Act of 1959, limiting the area in the District of Columbia within which sites for public buildings may be acquired, passed the Senate May 17, 1962.

The bill passed the House of Representatives on May 24, 1962, with an amendment providing that the Administrator of General Services would consult with the House Office Building Commission and the Architect of the Capitol with respect to acquisition of any sites, or addition to sites, located on the Capitol Grounds, or in the vicinity of the Capitol.

I ask unanimous consent that the amendment of the House of Representatives be concurred in by the Senate.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Maine? The Chair hears none, and it is so ordered.

SALVATORE BRIGANTI

Mr. MUSKIE. Mr. President, I ask the Presiding Officer to lay before the Senate the amendment of the House of Representatives to S. 971.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 971) for the relief of Salvatore Briganti, which was, in line 11, after "Act", insert "and the provisions of section 24(a) (7) of the Act of September 26, 1961 (75 Stat. 657), shall be inapplicable in this case".

Mr. MUSKIE. Mr. President, on May 3, 1961, the Senate passed S. 971 to waive the excluding provision of existing law relating to one who has been convicted of crimes involving moral turpitude in behalf of the beneficiary.

On April 3, 1962, the bill, S. 971, was passed by the House of Representatives with an amendment to preserve for the beneficiary the nonquota status he acquired under the provisions of the act of September 22, 1959—Public Law 86-363—which was repealed by the act of September 26, 1961—Public Law 87-301.

I move that the Senate concur in the House amendment to S. 971.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Maine.

The motion was agreed to.

HOSPITAL INSURANCE UNDER SOCIAL SECURITY PROGRAM

Mr. MORSE. Mr. President, it is well known that I am a leading advocate and

am cosponsor of the King-Anderson proposal relating to hospital insurance under the social security program. However, I have received a resolution adopted by the Southern Willamette District Dental Society of Oregon in opposition to the proposal, and I ask unanimous consent that it be printed at this point in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION AGAINST THE KING-ANDERSON BILL, NO. R.N. 4222, TO BE INTRODUCED IN CONGRESS AS BEING APPROVED BY THE SOUTHERN WILLAMETTE DISTRICT DENTAL SOCIETY OF OREGON

Resolved, That individual initiative, free enterprise, and the dedication of men have made medical science in the United States the finest in the world; and

Resolved, That any Federal program leading to the regulation of any part of medical practice or control of medical facilities will be deleterious to medical science in the United States; and

Resolved, That any Federal law providing medical services for the senior citizens of our country without regard as to need will destroy our concept of individual liberty, freedom of choice, and moral responsibility of family and community; and be it further

Resolved, That we do hereby oppose the enactment of any Federal law which provides for medical services to the aged population as a class without a determination of individual need.

Adopted this 25th day of April 1962.

NEEDED: NEW COLLEGES AND UNIVERSITIES

Mr. MORSE. Mr. President, Dr. E. V. Pullias, professor of higher education at the University of Southern California in Los Angeles, is the author of an article entitled, "Needed: New Colleges and Universities," which appeared in the November 1960 issue of *School and Society*.

Dr. Pullias has in this article pointed out the imperative necessity for additional aid to institutions of higher education from all sources. Few of us could quarrel with the stress he gives to the concept that:

The welfare and continued growth of the American society require a flexible, developing, diverse system of higher education. Any attitude or activity that tends to reduce this dynamic quality and close the system in terms of past achievement will threaten seriously the future of the United States. The hope of the American experiment lies in the constant renewal of the society as it reaches for solutions to continuously emerging problems. Nothing is more vital to this achievement than higher education which both reflects and stimulates this dynamic process.

The nature of the problem requires two things: the imaginative vision to see the overwhelming urgency of the need for a greatly expanded and enriched program of higher education for the American democracy, and the courage to escape old patterns of thought and action that thwart the making of that vision a reality. To fail either to see or to act can be fatal in this rapidly moving age.

Mr. President, in view of the fact that the conference will be meeting on the higher education bill in the near future, I ask unanimous consent that the article be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NEEDED: NEW COLLEGES AND UNIVERSITIES (By E. V. Pullias)

The U.S. Office of Education listed, as of the fall of 1959, 1,952 colleges and universities with an enrollment of 3,402,297 degree students and a faculty of about 275,000. Evidence indicates that the comparable degree-credit enrollment for the fall of 1970 will be double that of 1959. Many estimates are as high as 8 million. These facts suggest a condition unique in the history of man.

As things now stand, there will not be nearly enough places even for those who are qualified by motivation and ability to succeed in higher education as it is now conceived. The fact that higher education is in the process of being reconceived to meet better the needs of a developing democracy further complicates the problem. Yet, over the whole country we move at a snail's pace in our effort to produce the number and variety of colleges and universities and the faculty that the immediate future demands.

The reason most frequently given is money. Is not this pretense? No one offers lack of money as a good reason for failure to provide what is considered adequate military defense. In truth, this nation has the money to buy what it needs. If the quality of college experience is to remain even as good as it is now, many new institutions must be established in the next 10 years. Perhaps the number of institutions and teachers need not double to care for double the number of students, but a country with clear vision might realistically plan for such a goal.¹

For a nation wise and courageous enough to do what the times require, even the material rewards will be great—greater perhaps than the returns in technological development and improved standards of living that the United States received from its investment in the common and secondary schools, the land-grant colleges, and the developing universities in the 19th century. More important, such a nation may lead the way toward a new level of civilization.

In the face of such a prospect, why does our Nation approach this problem timidly and haltingly? Perhaps no one knows why. A possible reason is that, as a society grows older (and if the speed of growth is very great, the characteristics of age may appear sooner), it tends to crystallize its institutions and, hence, resists the development of new forms or even the reproduction of old forms. Thus, the establishment and early phases of new institutions become increasingly difficult. Higher education in the United States sometimes behaves as if it were in this late maturity stage of development. Whatever the cause of the lethargy, the need is great and urgent.

In spite of this clear and present need (which should be considered a mammoth challenge), we continue to make it difficult both psychologically, and materially for new institutions to get underway. The study of the early struggles of almost any of our very best colleges is instructive and sobering. In most cases, during their first 25-50 years, they were seriously below modern minimum standards in buildings, faculty, library, and admission procedures.

Times and demands have changed, and I am not suggesting a return to the old days, nor do I wish to encourage any lowering of significant standards. The point is simple: Our system of higher education still is or

¹ When President Roosevelt set a goal of a certain number of aircraft by a certain date to win World War II, many sober people called the figure fantastic. In reality the goal was surpassed.

should be dynamic. New kinds of institutions and many additional ones of the present kinds are greatly needed. Except in the case of wealthy States and a few privileged private trusts, even the physical aspects of colleges and universities cannot spring full grown into existence, meeting at once modern standards.

Since the higher education effort in the United States must be doubled and steadily improved in quality within the next 10-15 years, statesmanship would suggest that we search for constructive means to encourage and support the needed institutions. At the same time, meaningful standards should be retained and further developed in existing institutions while appropriate flexible standards conducive to growth are created for new ones. There is no conflict between these two processes that a little imagination cannot overcome. There is certainly a danger in establishing too many poorly staffed, inadequately supported, and, hence, seriously weak institutions. But the alternative for this country of great wealth is not between a few strong institutions and many weak ones. The achievable goal is many strong ones.

The welfare and continued growth of the American society require a flexible, developing, diverse system of higher education. Any attitude or activity that tends to reduce this dynamic quality and close the system in terms of past achievement will threaten seriously the future of the United States. The hope of the American experiment lies in the constant renewal of the society as it searches for solutions to continuously emerging problems. Nothing is more vital to this achievement than higher education which both reflects and stimulates this dynamic process.

The nature of the problem requires two things: the imaginative vision to see the overwhelming urgency of the need for a greatly expanded and enriched program of higher education for the American democracy, and the courage to escape old patterns of thought and action that thwart the making of that vision a reality. To fall either to see or to act can be fatal in this rapidly moving age.

CALL OF THE CALENDAR

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

Under the unanimous-consent agreement previously entered, the Senate will proceed to a call of the calendar for consideration of measures to which there is no objection, beginning with Calendar No. 1452.

ADEQUATE WHITE HOUSE POLICE FORCE

Mr. MUSKIE. Mr. President, I ask unanimous consent that the Senate first may proceed to the consideration of Calendar No. 1451.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 11261) to authorize an adequate White House Police force, and for other purposes.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Maine?

There being no objection, the Senate proceeded to the consideration of the bill (H.R. 11261) which was ordered to a third reading, was read the third time, and passed.

Mr. MUSKIE. Mr. President, I ask unanimous consent that Calendar No. 1328, S. 3099, the Senate bill on the same subject, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the next measure on the calendar.

SU-FEN CHEN

The bill (S. 2208) for the relief of Su-Fen Chen was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Su-Fen Chen shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

MRS. JUM AK MAREK

The bill (S. 2694) for the relief of Mrs. Jum Ak Marek, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of section 212 (a) (6) of the Immigration and Nationality Act, Mrs. Jum Ak Marek may be issued a visa and be admitted to the United States for permanent residence if she is found to be otherwise admissible under the provisions of that Act, under such conditions and controls which the Attorney General, after consultation with the Surgeon General of the United States Public Health Service, Department of Health, Education, and Welfare, may deem necessary to impose: *Provided,* That unless the said Mrs. Jum Ak Marek is entitled to medical care under the Dependents' Medical Care Act (70 Stat. 250), a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the Immigration and Nationality Act: *Provided further,* That the exemption granted herein shall apply only to a ground for exclusion of which the Department of State or the Department of Justice has knowledge prior to the enactment of this Act.

HOM WAH YOOK

The bill (S. 2729) for the relief of Hom Wah Yook (also known as Hom Bok Heung), was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Hom Wah Yook (also known as Hom Bok Heung) shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the

Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

SUSAN GUDERA AND OTHERS

The bill (S. 2751) for the relief of Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of paragraph (7) of section 301(a) of the Immigration and Nationality Act, Mrs. Maris Callahan Gudera, a citizen of the United States, shall be held and considered to have resided in and to have been physically present in the United States, prior to the birth of her natural children, Susan Gudera, Heinz Hugo Gudera, and Catherine Gudera, for a period of five years after she had attained the age of fourteen years.

MRS. TOM PON SHEE

The bill (S. 2766) Mrs. Tom Pon Shee (also known as Tom Pon Ma Cheung), was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, Mrs. Tom Pon Shee (also known as Tom Pon Ma Cheung), widow of the late Tom Shek Luen (a citizen of the United States), shall be deemed to be a nonquota immigrant, and may, notwithstanding the provisions of paragraph (25) of section 212(a) of such Act, be issued an immigrant visa and admitted to the United States for permanent residence if she is found to be otherwise admissible under the provisions of such Act: *Provided,* That this Act shall apply only to grounds for exclusion under such paragraph known to the Secretary of State or the Attorney General prior to the date of the enactment of this Act.

ARILD ERICKSEN SANDLI

The bill (S. 2777) for the relief of Arild Ericksen Sandli, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of paragraph (9) of section 212(a) of the Immigration and Nationality Act, Arild Ericksen Sandli may be issued an immigrant visa and admitted to the United States for permanent residence if he is found to be otherwise admissible under the provisions of such Act: *Provided,* That this Act shall apply only to grounds for exclusion under such paragraph known to the Secretary of State or the Attorney General prior to the date of the enactment of this Act.

JULIANO BARBOZA AMADO AND MANUEL SOCORRO BARBOZA AMADO

The bill (S. 2803) for the relief of Juliano Barboza Amado and Manuel Socorro Barboza Amado, was considered,

ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of section 203(a) (4) of the Immigration and Nationality Act, Leo Barbosa Amado, a citizen of the United States, shall be held and considered to be the legitimate half-brother of Juliano Barbosa Amado and Manuel Socorro Barbosa Amado.

SHEU CHWAN SHAIOU

The bill (S. 2804) for the relief of Sheu Chwan Shalou, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Sheu Chwan Shalou shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

SYDNEY GRUSON

The bill (H.R. 1395) for the relief of Sydney Gruson, was considered, ordered to a third reading, was read the third time, and passed.

MRS. FRANCES MANGIARACINA

The bill (H.R. 1404) for the relief of Mrs. Frances Mangiaracina, was considered, ordered to a third reading, was read the third time, and passed.

ELIZABETH ROSE DiCARLO

The bill (H.R. 1712) for the relief of Elizabeth Rose DiCarlo, was considered, ordered to a third reading, was read the third time, and passed.

ANTONIO C. YSRAEL

The bill (H.R. 2103) for the relief of Antonio C. Ysrael, was considered, ordered to a third reading, was read the third time, and passed.

BILLS PASSED OVER

The bill (H.R. 2187), for the relief of Augustin Ramirez-Trejo, was announced as next in order.

Mr. MUSKIE. Over by request, Mr. President.

The PRESIDING OFFICER. The bill will be passed over.

The bill (H.R. 2198), for the relief of Carlos Sepulveda Abarca, was announced as next in order.

Mr. MUSKIE. Over by request, Mr. President.

The PRESIDING OFFICER. The bill will be passed over.

SONIA MARIA SMITH

The bill (H.R. 2672) for the relief of Sonia Maria Smith, was considered, ordered to a third reading, was read the third time, and passed.

MILDRED LOVE HAYLEY

The bill (H.R. 2839) for the relief of Mildred Love Hayley, was considered, ordered to a third reading, was read the third time, and passed.

A. EUGENE CONGRESS

The bill (H.R. 8368) for the relief of A. Eugene Congress, was considered, ordered to a third reading, was read the third time, and passed.

SGT. 1C. JESSE O. SMITH

The bill (H.R. 9466) for the relief of Sgt. 1C. Jesse O. Smith, was considered, ordered to a third reading, was read the third time, and passed.

CAPT. DALE FRAZIER

The Senate proceeded to consider the bill (S. 1264) for the relief of Capt. Dale Frazier, which had been reported from the Committee on the Judiciary, with an amendment, on page 2, after line 2, to strike out:

Sec. 2. The Secretary of the Army is authorized and directed to pay, out of any money available for the payment of retired pay of retired officers of the United States Army, to the said Captain Dale Frazier, the sum of any amounts received or withheld from him on account of the overpayments referred to in the first section of this Act.

And, in lieu thereof, to insert:

Sec. 2. The Secretary of the Treasury is hereby authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Captain Dale Frazier, an amount equal to the aggregate of the amounts paid by him, or withheld from sums otherwise due him, in complete or partial satisfaction of the liability to the United States specified in the first section.

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Captain Dale Frazier, United States Army, Retired, of Honolulu, Hawaii, is hereby relieved of all liability to repay to the United States the sum of \$13,052.89, representing overpayments of retired pay received by him for the period from March 27, 1952, through August 3, 1955, while he was employed by the Department of the Navy, such overpayments having been made through administrative error in violation of section 212 of the Act of June 20, 1932, as amended (5 U.S.C. 59a), which limits the amount of retired pay certain retired commissioned officers may receive when holding civilian positions under the Government.

Sec. 2. The Secretary of the Treasury is hereby authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Captain Dale Frazier, an amount equal to the aggregate of the amounts paid by him, or withheld from sums otherwise due him, in complete or partial satisfaction of the liability to the United States specified in the first section.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

JOHN JOSEPH

The Senate proceeded to consider the bill (S. 2661) for the relief of John Joseph (also known as Hanna Georges Youssef) which had been reported from the Committee on the Judiciary, with an amendment, at the end of line 7, after the word "Act", to insert a comma and "and the provisions of section 24(a) (7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in this case."; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Act of September 22, 1959 (73 Stat. 644), to provide for the entry of certain relatives of United States citizens and lawfully resident aliens, John Joseph (also known as Hanna Georges Youssef), shall be deemed to be within the purview of section 4 of that Act, and the provisions of section 24(a) (7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in this case.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

SEBASTIANA SANTORO

The Senate proceeded to consider the bill (S. 2667) Sebastiana Santoro, which had been reported from the Committee on the Judiciary, with an amendment, in line 5, after the word "child," to insert "of Giovanni Santoro, a citizen of the United States,"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, Sebastiana Santoro shall be held and considered to be a child of Giovanni Santoro, a citizen of the United States, as defined in section 101(b) (1) (A) of that Act.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

MISS LIVIA SERNINI (CUCCIATTI)

The Senate proceeded to consider the bill (S. 2722) for the relief of Miss Livia Sernini (Cucciatti), which had been reported from the Committee on the Judiciary, with an amendment, in line 8, after the word "to", to strike out "this alien" and insert "such alien as provided for in this Act"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Miss Livia Sernini (Cucciatti) shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

YUK-KAN CHEUK

The Senate proceeded to consider the bill (S. 2760) for the relief of Yuk-Kan Cheuk which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, the provisions of the proviso to section 201(a) shall not be applicable in the case of Yuk-Kan Cheuk, a native of Hong Kong.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

FERDINAND A. HERMENS

The Senate proceeded to consider the bill (S. 2865) for the relief of Ferdinand A. Hermens which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, section 352(a) of that Act shall be held not to be nor to have been applicable to any period of residence of Ferdinand A. Hermens, a naturalized citizen of the United States, in Germany after April 30, 1962, and prior to May 1, 1965.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

WILLIAM FALBY

The Senate proceeded to consider the bill (H.R. 1653) for the relief of William Falby, which had been reported from the Committee on the Judiciary, with an amendment, on page 2, line 2, after the word "loss," to insert a colon and "Provided, That the said William Falby enters the United States for permanent residence within 2 years after the date of the enactment of this Act."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read a third time and passed.

STEPHEN S. CHANG AND GRACE HSIN LEE ZIA CHANG

The Senate proceeded to consider the bill (S. 1849) for the relief of Stephen S. Chang and Grace Hsin Lee Zia Chang which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, for the purposes of the Immigration and Nationality Act, Stephen S. Chang shall be held and considered to have been lawfully admitted to the United States for permanent residence as of October 2, 1954, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from

the appropriate quota for the first year that such quota is available.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended, so as to read: "A bill for the relief of Stephen S. Chang."

FRANCELINA JORGE QUERIDO AND OTHERS

The Senate proceeded to consider the bill (S. 2668) for the relief of Francelina Jorge Querido, Jose Jorge Querido, Juis Jorge Querido, Elizia Jorge Querido, and Izabel Jorge Querido which had been reported from the Committee on the Judiciary, with amendments, at the beginning of line 5, to strike out "Juis Jorge Querido" and insert "Luis Jorge Querido", and in line 8, after "(8 U.S.C. 1153)", to insert "and the provisions of section 24(a) (7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in these cases."; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act of 1952, Francelina Jorge Querido, Jose Jorge Querido, Luis Jorge Querido, Elizia Jorge Querido, and Izabel Jorge Querido shall be considered to be non-quota immigrants under section 4 of Public Law 86-363 (8 U.S.C. 1153) and the provisions of section 24(a) (7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in these cases.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended, so as to read: "A bill for the relief of Francelina Jorge Querido, Jose Jorge Querido, Luis Jorge Querido, Elizia Jorge Querido, and Izabel Jorge Querido."

FEDERALLY IMPACTED AREAS ELIGIBLE FOR ASSISTANCE

The Senate proceeded to consider the bill (S. 3327) to make certain federally impacted areas eligible for assistance under the public facility loan program which had been reported from the Committee on Banking and Currency, with an amendments on page 1, line 11, after the word "research", to strike out "and" and insert "or"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (4) of section 202(b) of the Housing Amendments of 1955 is amended by striking out the period and inserting in lieu thereof the following: "Provided, That financial assistance may be extended under clause (1) of subsection (a) of this section without regard to the population limitations set forth in this paragraph, if such assistance is for the purpose of financing projects for public works or facilities in any federally impacted area in which there is located a research or development installation of the National Aeronautics and Space Administration. As used in this paragraph, a 'federally impacted area' means an area with respect to which financial assistance may be extended

pursuant to the Act of September 23, 1950 (Public Law 815, Eighty-first Congress), as amended (20 U.S.C. 631-644), or the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), as amended (20 U.S.C. 236-244)."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

GIFTS AND BEQUESTS TO THE LIBRARY OF CONGRESS

The bill (S. 3266) to amend the act entitled "An act to create a Library of Congress Trust Fund Board" relating to deposits with the Treasurer of the United States of gifts and bequests to the Library of Congress was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act entitled "An Act to create a Library of Congress Trust Fund Board, and for other purposes", approved March 3, 1925, as amended (2 U.S.C. 158), is further amended by striking out "\$5,000,000" at the end of the section and inserting in lieu thereof "\$10,000,000".

RESOLUTION PASSED OVER

The resolution (S. Res. 37) to amend rule XIX relative to the transgression of the rule in debate, was announced as next in order.

Mr. MUSKIE. Mr. President, over.

The PRESIDING OFFICER. The bill will be passed over.

INCREASING LIMIT OF EXPENDITURE OF COMMITTEE ON APPROPRIATIONS

The resolution (S. Res. 337) increasing the limit of expenditure by the Committee on Appropriations was considered, and agreed to, as follows:

Resolved, That the Committee on Appropriations hereby is authorized to expend from the contingent fund of the Senate, during the Eighty-seventh Congress, \$25,000, in addition to the amounts, and for the same purposes, specified in section 134(a) of the Legislative Reorganization Act, approved August 2, 1946: S. Res. 180, agreed to July 27, 1961; and S. Res. 211, agreed to September 21, 1961.

PRINTING OF PROPOSED AMENDMENTS TO CONSTITUTION, 69TH THROUGH 87TH CONGRESSES

The resolution (S. Res. 341) to print a list of proposed amendments to the Constitution, 69th Congress through 87th Congress was considered, and agreed to, as follows:

Resolved, That there be printed as a Senate document a list of proposed amendments to the Constitution of the United States submitted during the Sixty-ninth Congress, second session, through the Eighty-seventh Congress, as compiled by the Senate Library, under the direction of the Secretary of the Senate, and that one thousand five hundred additional copies be printed for the use of the Committee on the Judiciary.

PRINTING AS SENATE DOCUMENT AGREEMENT RELATING TO USE AND DEVELOPMENT OF WATER AND LAND RESOURCES

The resolution (S. Res. 342) to print as a Senate document an agreement relating to the use and development of water and related land resources was considered and agreed to, as follows:

Resolved, That there be printed as a Senate document an agreement of the Secretary of the Army, the Secretary of Agriculture, the Secretary of Health, Education, and Welfare, and the Secretary of the Interior entitled "Policies, Standards, and Procedures in the Formulation, Evaluation, and Review of Plans for Use and Development of Water and Related Land Resources", together with correspondence of the Secretary of the Interior and the President of the United States in regard to the matter, and the explanatory remarks of Senator Clinton P. Anderson of New Mexico, on the floor of the Senate May 17, 1962, and that there be printed twenty-five hundred additional copies for the use of the Committee on Interior and Insular Affairs.

PRINTING AS SENATE DOCUMENT OF REPORT ENTITLED "FUNCTIONS OF THE GENERAL ACCOUNTING OFFICE"

The resolution (S. Res. 343) to print as a Senate document a report entitled "Functions of the General Accounting Office" was considered and agreed to, as follows:

Resolved, That there be printed, with an illustration, as a Senate document a report compiled by the General Accounting Office at the request of the Committee on Government Operations entitled "Functions of the General Accounting Office"; and that there be printed three thousand additional copies of such document for the use of that committee.

PRINTING OF SENATE DOCUMENT ENTITLED "THE PROPOSED 23D AMENDMENT TO THE CONSTITUTION"

The resolution (S. Res. 344) authorizing the printing of Senate Document 5, 87th Congress entitled "The Proposed 23d Amendment to the Constitution," was considered and agreed to, as follows:

Resolved, That there be printed for the use of the Committee on Appropriations fifty thousand additional copies of Senate Document 5 of the Eighty-seventh Congress, first session, entitled "The Proposed Twenty-third Amendment to the Constitution To Repeal the Sixteenth Amendment to the Constitution, Which Provides That Congress Shall Have Power To Collect Taxes on Incomes".

BILL PASSED OVER

The bill (H.R. 8031) to amend the Communications Act of 1934 in order to give the Federal Communications Commission certain regulatory authority over television receiving apparatus was announced as next in order.

Mr. MUSKIE. Mr. President, over.
The PRESIDING OFFICER. The bill will be passed over.

HANDLING OF FUNDS BY DISBURSING OFFICERS OF ARMED FORCES

The bill (H.R. 8570) to amend title 10, United States Code, to permit disbursing officers of an armed force to entrust funds to other officers of an armed force was considered, ordered to a third reading, read the third time, and passed.

APPLICATION OF CERTAIN MILITARY LAWS TO COAST GUARD

The bill (S. 2107) to amend title 14, United States Code, entitled, "Coast Guard," to extend the application of certain laws relating to the military services to the Coast Guard for purposes of uniformity was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 14, United States Code, is amended as follows:

(1) Section 461 is amended—

(A) By amending the heading to read as follows:

"§ 461. Pay and allowances; pay of officers indebted to the United States; remission of indebtedness of enlisted members"

(B) By adding at the end thereof the following new subsection:

"(c) If he considers it in the best interest of the United States, the Secretary of the Treasury may have remitted or canceled any part of an enlisted member's indebtedness to the United States or any of its instrumentalities remaining unpaid before, or at the time of, that member's honorable discharge."

(2) The analysis of chapter 13 is amended by striking out the following item:

"461. Pay and allowances; pay of officers indebted to United States."

and inserting the following item in place thereof:

"461. Pay and allowances; pay of officers indebted to the United States; remission of indebtedness of enlisted members."

(3) Section 495 is repealed.

(4) The analysis of chapter 13 is amended by striking out the following item:

"495. Additional pay for holders of medals."

(5) Section 496 is amended to read as follows:

"§ 496. Time limit on award; report concerning deed

"(a) No medal of honor, distinguished service medal, distinguished flying cross, Coast Guard medal, or bar, emblem, or insignia in lieu thereof may be awarded to a person unless—

"(1) the award is made within five years after the date of the deed or service justifying the award;

"(2) a statement setting forth the deed or distinguished service and recommending official recognition of it was made by his superior through official channels within three years from the date of that deed or termination of the service.

"(b) If the Secretary determines that—

"(1) a statement setting forth the deed or distinguished service and recommending official recognition if it was made by the person's superior through official channels within three years from the date of that deed or termination of the service and was supported by sufficient evidence within that time; and

"(2) no award was made, because the statement was lost or through inadvertence the recommendation was not acted upon; a medal of honor, distinguished service medal, distinguished flying cross, Coast Guard medal, or bar, emblem, or insignia in lieu thereof, as the case may be, may be awarded to the person within two years after the date of that determination."

(6) Chapter 17 is amended by adding the following new section after section 654:

"§ 655. Arms and ammunition; immunity from taxation

"No tax on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges may be imposed on such articles when bought with funds appropriated for the United States Coast Guard."

(7) The analysis of chapter 17 is amended by adding the following new item thereto: "655. Arms and ammunition; immunity from taxation."

CONSTRUCTIVE SERVICE OF COAST GUARD WOMEN'S RESERVE

The bill (H.R. 4783) to grant constructive service to members of the Coast Guard Women's Reserve for the period from July 25, 1947, to November 1, 1949, was considered, ordered to a third reading, read the third time, and passed.

LOAD LINES FOR OCEANGOING AND COASTWISE VESSELS

The Senate proceeded to consider the bill (S. 3016) to amend the act of March 2, 1929, relating to load lines for ocean-going and coastwise vessels, to establish liability for surveys, and for other purposes which had been reported from the Committee on Commerce, with amendments, on page 1, after line 6, to insert:

(1) Subsection (a) of the first section is amended by striking out "the Great Lakes excepted" and inserting in lieu thereof "or arriving within the jurisdiction of the United States or its possessions from a foreign voyage by sea, in both cases the Great Lakes excepted."

On page 2, at the beginning of line 5, to strike out "(1)" and insert "(2)"; at the beginning of line 8, to insert "in the first sentence"; in line 11, after the word "appears", to insert "after the first sentence"; at the beginning of line 17, to strike out "(2)" and insert "(3)"; in line 19, after the word "owner", to strike out "and" and insert "and/or"; in line 21, after the word "shall", to strike out "each"; in line 24, after the word "States", to insert "in violation of the provisions of this Act or the regulations established thereunder"; on page 5, at the beginning of line 4, to insert "in the first sentence"; in line 7, after the word "appears", to insert "after the first sentence"; in line 16, after the word "owner", to strike out "and" and insert "and/or"; in line 18, after the word "shall", to strike out "each"; in line 21, after the word "States", to insert "in violation of the provisions of this Act or the regulations established thereunder"; and in line 24, after the word "high", to strike out "seas," and insert "seas"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act

entitled "An Act to establish load lines for American vessels, and for other purposes", approved March 2, 1929, as amended (46 U.S.C. 85-85g), is amended as follows:

(1) Subsection (a) of the first section is amended by striking out "the Great Lakes excepted" and inserting in lieu thereof "or arriving within the jurisdiction of the United States or its possessions from a foreign voyage by sea, in both cases the Great Lakes excepted".

(2) Section 7 (46 U.S.C. 85f) is amended—

(A) by adding the words "or Coast Guard district commander" following the words "collector of customs" in the first sentence;

(B) by adding the words "or Coast Guard district commander" following the word "collector" wherever it appears after the first sentence; and

(C) by adding the following sentence at the end thereof: "The owner and agent of a vessel surveyed and found in violation of this Act or regulations established thereunder shall bear the costs of the survey in addition to any penalty or fine imposed."

(3) Section 8 (46 U.S.C. 85g) is amended—

(A) by amending subsection (a) to read as follows:

"(a) The owner and/or master of any vessel subject to this Act and the regulations established thereunder shall be liable to the United States in a penalty not to exceed \$1,000 whenever the vessel is found operating, navigating, or otherwise in use upon the navigable waters of the United States in violation of the provisions of this Act or the regulations established thereunder, or whenever the vessel, if a vessel of the United States, is found operating, navigating, or otherwise in use upon the high seas in violation of the provisions of this Act or the regulations established thereunder. Each day a vessel is in violation of the provisions of this Act shall constitute a separate offense. The Secretary of the department in which the Coast Guard is operating may assess, collect, remit, and mitigate any penalty imposed under this Act."

(B) by amending subsection (b)—

(1) by striking out the figure "\$100" and inserting the figure "\$500" in place thereof; and

(2) by striking out the last sentence thereof;

(C) by amending subsection (c)—

(1) by striking out the figure "\$500" and inserting the following words and figures in place thereof, "\$1,000 plus a sum computed at the rate of \$500 per inch of draft in excess of the vessel's applicable load line"; and

(2) by striking out the last sentence thereof;

(D) by striking out the figure "\$500" in subsection (d) and inserting the figure "\$1,000" in place thereof;

(E) by striking out the figure "\$1,000" in subsection (e) and inserting the figure "\$2,000" in place thereof.

Sec. 2. The Act entitled "An Act to provide for the establishment of load lines for American vessels in the coastwise trade, and for other purposes", approved August 27, 1935, as amended (46 U.S.C. 88-88i), is amended as follows:

(1) Section 2 (46 U.S.C. 88a) is amended to read as follows:

"Sec. 2. The Secretary of the department in which the Coast Guard is operating is hereby authorized and directed in respect of the vessels defined above to establish by regulations from time to time the load water lines and marks thereof indicating the maximum depth to which such vessels may safely be loaded. Such regulations shall have the force of law. In establishing such load lines due consideration shall be given to, and differentials made for, the various types and character of vessels and the trades in which

they are engaged. In establishing load water lines on passenger vessels due consideration shall be given to, and differentials shall be made for, the age and condition of the vessel, its subdivision and efficacy thereof, and the probable stability of the vessel if damaged: *Provided*, That the load-line provisions of this Act shall apply to the Great Lakes: *Provided further*, That no load line shall be established or marked on any vessel, which load line in the judgment of the Secretary is above the actual line of safety."

(2) Section 7 (46 U.S.C. 88f) is amended—

(A) by adding the words "or Coast Guard district commander" following the words "collector of customs" in the first sentence;

(B) by adding the words "or Coast Guard district commander" following the word "collector" wherever it appears after the first sentence; and

(C) by adding the following sentence at the end thereof: "The owner and agent of a vessel surveyed and found in violation of this Act or regulations established thereunder shall bear the costs of the survey in addition to any penalty or fine imposed."

(3) Section 8 (46 U.S.C. 88g) is amended—

(A) by amending subsection (a) to read as follows:

"(a) The owner and/or master of any vessel subject to this Act and the regulations established thereunder shall be liable to the United States in a penalty not to exceed \$1,000 whenever the vessel is found operating, navigating, or otherwise in use upon the navigable waters of the United States, in violation of the provisions of this Act or the regulations established thereunder, or whenever the vessel, if a vessel of the United States, is found operating, navigating, or otherwise in use upon the high seas in violation of the provisions of this Act or the regulations established thereunder. Each day a vessel is in violation of the provisions of this Act shall constitute a separate offense. The Secretary of the Department in which the Coast Guard is operating may assess, collect, remit, and mitigate any penalty imposed under this Act."

(B) by amending subsection (b)—

(1) by striking out the figure "\$100" and inserting the figure "\$500" in place thereof; and

(2) by striking out the last sentence thereof;

(C) by amending subsection (c)—

(1) by striking out the figure "\$500" and inserting the following words and figures in place thereof, "\$1,000 plus a sum computed at the rate of \$500 per inch of draft in excess of the vessel's applicable loadline"; and

(2) by striking out the last sentence thereof;

(D) by striking out the figure "\$500" in subsection (d) and inserting the figure "\$1,000" in place thereof;

(E) by striking out the figure "\$1,000" in subsection (e) and inserting the figure "\$2,000" in place thereof.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

BILL PASSED OVER

The bill (S. 1184) to conform the provisions of section 802 of the Merchant Marine Act, 1936, with those of section 510 thereof, and for other purposes was announced as next in order.

Mr. MUSKIE. Mr. President, over.

The PRESIDING OFFICER. The bill will be passed over.

EXTENSION OF AUTHORITY TO INSURE MORTGAGES UNDER NATIONAL HOUSING ACT

The bill (S. 2876) to extend the authority to insure mortgages under sections 809 and 810 of the National Housing Act, and for other purposes was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 803(a) of the National Housing Act is amended by striking out "under this title" in the last proviso and inserting in lieu thereof "under this section".

SEC. 2. Section 809(f) of the National Housing Act is amended by striking out "and the expiration date of the Commissioner's authority to insure".

SEC. 3. Section 810 of the National Housing Act is amended by—

(1) striking out clause (1) of subsection (b) and inserting in lieu thereof the following: "(1) the housing which is covered by the insured mortgage is necessary in the interest of national security in order to provide adequate housing for (A) military personnel and essential civilian personnel serving or employed in connection with an installation of one of the armed services of the United States, or (B) persons employed or assigned to duty at or in connection with an installation of the National Aeronautics and Space Administration or the Atomic Energy Commission";

(2) striking out in subsection (d) the words "and employees of contractors for the armed services" and inserting in lieu thereof the following: "employees of contractors for the armed services, and persons described in clause (1)(B) of section (b) of this section"; and

(3) striking out in subsection (k) the words "and the expiration date of the Commissioner's authority to insure".

BILLS PASSED OVER

The bill (H.R. 7913) to amend title 10, United States Code, to bring the number of cadets at the U.S. Military Academy and the U.S. Air Force Academy up to full strength, was announced as next in order.

Mr. MUSKIE. Mr. President, over. The PRESIDING OFFICER. The bill will be passed over.

The bill (S. 2996) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes, was announced as next in order.

Mr. KEATING. Mr. President, I suggest that the bill be passed over. It might be the simplest way to get the foreign aid bill through the Senate, but it would not be fair to absent Senators. I think it should go over.

The PRESIDING OFFICER. The bill will be passed over.

That completes the calendar.

BONDING OF FEDERAL CONTRACTORS

Mr. WILLIAMS of Delaware. Mr. President, yesterday I introduced, for appropriate reference, a bill designed to guarantee that Federal income taxes which are withheld from employees' paychecks by firms doing construction

work for the U.S. Government are included in the bond requirement and ultimately turned over to the Treasury Department.

Under this bill, firms holding such construction contracts would be required to be bonded for the Federal taxes they deduct from their employees' wages in the same manner in which they are now required to be bonded for the performance of the work under the contract and for the protection of persons furnishing material and labor for the work.

The purpose of the bill is to make certain that money withheld from the paychecks of employees actually gets to the Treasury Department and is not diverted to other uses by the construction company.

The bill would in no way affect the taxes owed by the company itself on its profits, or any other taxes owed by the company; rather, it deals solely with the Federal income taxes withheld by the company from the wages and salaries of employees working under the Federal contract.

I ask unanimous consent to have printed at this point in the RECORD a letter to me from Brig. Gen. Joseph T. Kingsley, Jr., U.S. Air Force.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF THE AIR FORCE,
Washington, D.C., July 7, 1961.

HON. JOHN J. WILLIAMS,
U.S. Senate.

DEAR SENATOR WILLIAMS: The Secretary of Defense has asked me to reply to your letter of June 5, 1961, in which you inquired regarding Air Force procedures with regard to bonding requirements for Air Force construction contractors. The delay in furnishing the information you requested is regretted; however, due to the legal implications involved, the matter required careful legal review and study in the Office of the General Counsel, U.S. Air Force.

In your inquiry, you asked whether the bonds required in connection with construction contracts do not cover a contractor's liability for amounts withheld from employees on account of Federal taxes. Generally speaking, it is true that these bonds do not cover such amounts.

The requirement that contractors furnish bonds in connection with construction contracts is based on the Miller Act (sec. 270a-e, title 40, United States Code). The Miller Act generally provides for a performance bond for the protection of the United States and a payment bond for the protection of laborers and materialmen in connection with Government construction contracts exceeding \$2,000. Pursuant to the act, the bond requirements are usually waived for work to be done in a foreign country or under a cost-reimbursement type contract.

The forms of the bonds are prescribed for all Government agencies by the General Services Administration. The performance bond (Standard Forms 25 and 27) assures that the contractor "shall well and truly perform and fulfill all the undertakings, covenants, terms, conditions, and agreements of said contract." The payment bond (Standard Forms 25A and 27A) assures that the contractor "shall promptly make payment to all persons supplying labor and material in the prosecution of the work provided for in said contract."

On its face, neither bond covers the contractor's liability for tax withholdings. As to the payment bond, the bond simply assures that the contractor will pay his em-

ployees their wages. A number of Federal courts have held that this assurance does not extend to the payment of tax withholdings. See *United States v. Crosland Construction Company*, 217 F. 2d 275 (4th Cir. 1954), and the cases cited therein. The reasoning of these cases is that the payment bond simply covers payment of wages; that once an employer has paid the full wages owing, exclusive of tax withholdings, he has discharged his obligation to the employee; and that the condition of the bond is therefore satisfied. The employer's liability for tax withholdings is a liability to pay taxes measured by wages rather than a liability to pay wages. Moreover, failure of the employer to pay over to the Government the tax withholdings does not impair the employee's rights to social security benefits.

As to the performance bond, whether the bond covers tax withholdings clearly depends on the contract terms. If the contract were expressly to obligate the contractor to pay all collectible taxes, the bond would cover this obligation (*United States v. Phoenix Indemnity Company*, 231 F. 2d 573, 4th Cir. 1956). But the great bulk of Government construction contracts, so far as we are aware, do not contain this kind of provision. Again, the General Services Administration prescribes standard general provisions (Standard Form 23A) to be used for most anything obligating the contractor to pay taxes. Possibly this matter is not covered because it is not regarded as material to the contractor's responsibilities as a contractor, as contrasted with his responsibilities as a taxpayer. It may also be that such an enlargement of the contract obligations would result in increased bond premiums which would ultimately be at Government expense.

Finally, you requested a recommendation for possible correction of the bond coverage to extend it to tax withholdings. This matter is closely connected with the Miller Act and apparently should be treated in the same way by all the contracting agencies of the Government. An amendment to the Miller Act would seem appropriate if it is determined that the Government, in dealing with taxpayers having Government construction contracts, should have greater protection regarding tax collection than it does in dealing with other taxpayers who hold the vast majority of Government contracts. In this connection, it is suggested that, since the Department of the Treasury has the primary responsibility for this area, the views of that Department also be obtained.

Your interest in this matter is appreciated. It is hoped that the above explanation and information will be helpful to you. If we can advise you further, please let me know.

Sincerely,

JOSEPH T. KINGSLEY, JR.,
Brigadier General, USAF,
Deputy Director, Legislative Liaison.

BICENTENNIAL CELEBRATION OF ALLENTOWN, PA.

Mr. CLARK. Mr. President, a few days ago the city of Allentown, Pa., celebrated its bicentennial. The event was an important one in the lifetime of one of Pennsylvania's most outstanding cities, a city of industrious people who have built a diversified and prosperous industry. The city is in the heart of one of the richest agricultural areas in the whole world.

A report on the bicentennial celebration was prepared under the direction of the city's able mayor, John T. Gross, by John F. Nagy, a member of the Lehigh County Historical Society. I believe the

report is worthy of introduction into the CONGRESSIONAL RECORD, as a good example of what a medium sized city has been able to do to enrich the lives of its inhabitants and add to the economy of the country.

I ask unanimous consent that the mayor's report on Allentown's bicentennial celebration be printed at this point in my remarks.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

THE MAYOR'S REPORT ON ALLENTOWN'S BICENTENNIAL CELEBRATION

When looking at the horizon the earth seems to meet the sky. When looking at the city of Allentown, Pa., one sees a strange admixture of the rural hinterland and the modern commercial and industrial metropolis. The former is an illusion; the latter is a reality.

Where else but in a city like Allentown could there be organized a caravan of some 750 helping hands to travel about 150 miles to a storm-ravaged area in another State? Such was Operation Help, under the direction of Charley Zaines, WSAW commentator, who conceived and promoted the idea which gained Allentown national recognition, and which through Radio Free Europe was broadcast internationally. (Cf. CONGRESSIONAL RECORD, Mar. 28, 1962, pp. 5355-5356.)

Where else but in a city like Allentown could there be organized civilian participation in the cleaning of a Civil War memorial? Such was Operation Brush and Bucket, under the direction of Edward R. Smith II, who conceived and promoted the idea, carried on wire services, again spotlighting Allentown as a city of outstanding civic mindedness.

The Soldiers and Sailors Monument in Center Square, dedicated on October 19, 1899, had not had a thorough cleaning in the almost 63 years of its existence; but on May 2, 1962, dozens of Brothers of the Brush and other participants tackled the job in a 5-hour operation during inclement weather, frequently in a driving rain, and planned to complete the job on May 16.

Where else but in a city like Allentown could there be such a grassroots uprising of the people in overcoming fronting officialdom, the press, and business and civic leaders, that 3,400 Brothers of the Brush in 90 chapters and 1,700 Liberty Belles in 55 chapters would make their basic civil feelings known through facial growths and colonial costumes? Thus the true spirit of the settlers of this community 200 years ago shines even today.

Only in truly small rural communities might events like the above come about—in small communities where everybody knows everybody, where people are inclined to join as a whole in a community effort, where people are really close to the earth in their thinking, their feeling, their ways of life. Yet all these took place in Allentown, Pa., the fifth largest city in the State, a city known nationwide for its commercial and industrial advancement.

More than 300 separate manufacturing plants make Allentown a highly diversified industrial complex. Commercially, annual retail sales are estimated to exceed \$232 million, with wholesale sales an additional \$218 million. More than a half-million people are within the immediate Allentown trading area, and one-sixth of the Nation's entire population lives within a 200-mile radius of the city. Taxable property valuation exceeds \$405 million; there are about 35,000 households. With a 1960 population count of 108,347, the city of Allentown, 417 feet above sea level, covers an area of 17,597 square miles.

Historically, Allentown was founded in 1762 by William Allen, Philadelphia merchant and chief justice of the Pennsylvania supreme court, when he laid out a town covering a 42 block area upon 5,000 acres in the wilderness of Penn's Woods, which was acquired by deed from Thomas Penn after a survey in 1739.

Throughout the years in the history of our Nation from the very beginning, the down-to-earth basic inhabitants of Allentown were in the forefront, helping to forge the United States of today, the leading world power of all the governments of the world. In Revolutionary times, Allentonians turned out thousands of muskets in their forges and shops, much of it done secretly, thereby providing a reliable arsenal for Gen. George Washington, who was able with this vital help when most needed to start turning the tide against the mercenaries. On April 18, 1861, Allen Infantry was among those area companies which gathered in Harrisburg in response to President Abraham Lincoln's appeal for volunteers to defend Washington against invaders. The famous U.S. Army Ambulance Corps was trained during the First World War on the Allentown fairgrounds for heroic duty overseas. Allentonians were prominent on casualty lists in both World War II and the Korean conflict. There are Allentonians in the services overseas today.

Allentown's bicentennial celebration is obviously not without national significance, in the light of the city's historical place in the Nation. Many significant events have already been held, leading up to major affairs scheduled from May 25 through June 2. There will be parades and balls and pageants and dedications; there will be concerts and lunches and tours and exhibitions. Every citizen will in some way be affected, and the children of today will have much to remember all their lives. Already, operation help has certainly made a deep and favorable impression on our young, and the preservation of our monument through operation brush and bucket has become important historically to our citizens of tomorrow. A bicentennial is certainly meat for teachers in all grades to teach our children the significance of the past as related to the present. The feelings of the future are based on present-day occurrences shaped by our historical past.

Gov. David L. Lawrence officially began bicentennial activities at a luncheon on May 25. There was a groundbreaking ceremony at the site of the new city hall. In the evening a large drum and bugle pageant performed in the Allentown School District stadium, featuring the USAF Drum and Bugle Corps. On May 27 a huge 5-hour bicentennial parade was held. Climaxing the festivities on Saturday evening, June 2, will be a shower of stars at the Allentown Fairgrounds, which will feature such famous personalities, products of our own area, as Lillian Briggs, Jackey McKeever, Laurel Hurley, Loisann Oakes, Tommy Check, and Willie Restum. Outstanding organizations made special preparations to help celebrate the bicentennial. The Liberty Bell dedication will be made at 2 p.m., May 30, at Zion's Church by Senator HUGH SCOTT; the Lehigh Valley Art Alliance will present a portrait of Allentown in the afternoon of May 26; the Lehigh County Historical Society is conducting a tour of historical homes on June 2; on May 28 groundbreaking ceremonies will be held at the site of the new county courthouse. Lehigh County, celebrating its sesquicentennial in conjunction with Allentown's bicentennial, has cooperated in all planned activities to make this historical celebration in actuality a dual affair.

These summarized facts, I trust, will become a matter of national record, and are submitted for your earnest consideration.

EFFECT OF KENNEDY ADMINISTRATION POLICIES ON STATE OF THE ECONOMY

Mr. CLARK. Mr. President, I desire to address myself for a few minutes to the climate of opinion in the Senate. Yesterday during our consideration of the public works bill, and again today during the morning hour, a number of my colleagues on the other side of the aisle—and I must admit that yesterday, at least, they were reinforced by a few volunteers from our side of the aisle—undertook to identify the state of our economy with the policies of the Kennedy administration. Their effort was to show that frightening things were being done to the economy as a result of the policies of the Kennedy administration. They undertook to state that unless some of those policies were changed, our country and our economy would be in grave danger.

In my opinion nothing could be further from the fact. It is simply loose talk to suggest, for example, that the break in the stock market yesterday was caused by a lack of public confidence in the policies of the Kennedy administration. I do not believe it would be possible to find any highly regarded economist who would share that view.

That kind of panic discussion does little credit to its authors. The views of widely read commentators, whose ability to get their opinions into the newspapers far exceeds their knowledge of our economy and what makes it tick, are widely introduced into the CONGRESSIONAL RECORD. I fear that the country might come to believe that these particular points of view represent opinion in the Senate.

For the record I should like to say that in my judgment they do not. A learned Senator undertook to identify the break in the stock market with the policies of the Kennedy administration. Another highly regarded Senator undertook to hint rather broadly that some provisions of the public works bill rather smacked of embezzlement, and that the recommendations of the President in that regard were disreputable. His comments were justly resented not only by me, but by the Senator in charge of the public works bill, the distinguished Senator from Oklahoma [Mr. KERR]. A careful reading of the RECORD will show that the Senator who voiced those comments rather regretted that he had done so. But the word had already gone out through the country that the President in seeking authority from the Congress to take steps to help remedy unemployment had done an unethical and immoral act. I do not believe there are as many as a half dozen Senators who believed that particular nonsense, and yet it goes across the country, over the wire services, and into the CONGRESSIONAL RECORD as though it represented the considered views of able and intelligent Senators who have made a habit of giving profound study to our economy and its needs.

Shortly afterward, a Senator on this side of the aisle suggested that we would shortly be asked to subscribe approximately \$6 billion to shore up the Inter-

national Monetary Fund, which would put a grave strain on our economy, and for that reason the public works bill should not be passed.

Mr. President, this can hardly be characterized as less than an extravagant view. Yet at the time it did not seem wise to interrupt the debate on the public works bill to rebut so emotional a plea from a Senator who is as highly regarded as the Senator who made those comments; it seemed better to let it go. But I believe it is useful now, in the sense, I suppose, of a Tuesday morning quarterback, to place in the RECORD a statement that those views do not represent the considered opinion of a substantial majority of the Senate.

Another able Senator suggested yesterday that public works spending was going to chase us into national bankruptcy. He suggested that \$9 billion of public works projects were already on the books; that public works were a kind of universal pork barrel, sure to bring the whole economy into serious trouble. Again, I think it would be difficult, indeed, to find many reputable economists who would share that point of view. The Senators who so regard public works have no exclusive claim to the mantle of moral righteousness. I suggest that Senators who desire to see human misery relieved, who want to see the people put back to work, who are anxious to see that useful projects which contribute to the well-being of the economy should be constructed, have just as high standards of ethics and morality.

I speak today not out of any feeling of resentment, but merely because I desire to make at least some slight effort to set the record straight as to what I believe is truly the opinion of a majority of the Members of this body, as well as the consensus of expert opinion outside this body.

A few weeks ago we had a similar example of how the climate of opinion in the Senate can be inaccurately reflected in the RECORD. When we were discussing the literacy test bill, oration after oration was delivered attacking the Supreme Court of the United States, contending that the bill was unconstitutional, taking the view that it would be a grave mistake to give to a large group of American citizens, entitled to the privileges and immunities of citizenship, entitled to the equal protection of the laws, the kind of protection they need in order to cast that vote which they are guaranteed by the 15th amendment of the Constitution of the United States.

So we had yesterday an attack on the Executive; we had several weeks ago an attack on the judiciary; soon, I suspect, we shall be having a reiteration of those attacks which have taken place from time to time in this body on the efforts of our Government and of governments and citizens of other nations in the world, to arrive at some intelligent solution of the problems of disarmament and world peace. Again, I say that those who suggest that the Senate of the United States is opposed to the making of those international concessions which are necessary to assure that this country participates in a dissolution of the awful

"balance of terror," in the elimination of armaments, and in the bringing of enforceable world law to bear on the problems of the world are not representative of the Senate of the United States. I hope and believe that this is generally understood. But from the way the speeches read, from the intense and zealous efforts of a relatively small group of Senators, I am afraid that the country is getting an unfortunate impression of the economic, political, and social views of Congress in general and the Senate in particular.

My great fear, as we face the difficult, complex problems ahead is not that the Executive will fail; it is not that the judiciary will fail; it is that Congress will fail, and that Congress will fail because its economic, social, and political thinking is 50 years behind the times.

Mr. DWORSHAK rose.

Mr. CLARK. Mr. President, I will not yield for the present; I will yield later.

I suggest that we ought to look at ourselves; that we take a good, hard look at ourselves, to see whether in our tripartite form of government—executive, judicial, and legislative—we are only hitting on two cylinders. The judiciary is doing its job, and it is doing a magnificent job in the support of human rights and human liberty. The decisions of the Warren Supreme Court, in my judgment, will ring down through the annals of liberty for all time to come. I am proud to be a citizen of the United States at a time when Chief Justice Warren is able, with his colleagues, to bring about the great advances in the art of government and in the protection of human liberty, that are recorded in the recent decisions of the Supreme Court of the United States.

I am proud indeed to be a supporter of the Kennedy administration. After 8 wasted years, we are again beginning to get the country moving. Enlightenment has returned to the White House.

However, I suggest that our trouble is now, and has been for some years, and may be for some time to come, I fear, that Congress does not measure up to its responsibility; that it does not appreciate how much the world has changed; that we live in this Chamber in a sort of hermetically sealed box, in which, because we like one another—in fact, because we love one another—we move in a mood and an attitude of self-congratulation which is not justified and which may constitute the greatest single threat to the progress of the republic toward our natural goals of social and economic justice and of world peace.

Mr. President, I yield the floor.

Mr. DWORSHAK. Mr. President, will the Senator from Pennsylvania yield for a question?

Mr. CLARK. I yield.

Mr. DWORSHAK. I am inclined to agree with the comments made by the distinguished Senator from Pennsylvania when he is extremely critical of Congress for inaction. I wonder if the Senator appreciates that there are only 36 Republicans but 64 Democrats in the Senate, and 258 Democratic Members of the House, but only 174 Republicans.

Obviously, if there is any responsibility which is not being carried forward in the discharge of congressional duties, then most of the blame must rest upon the Democratic Party and the Democratic Members of this body.

Mr. CLARK. Is the Senator asking me a question?

Mr. DWORSHAK. Yes; I am asking whether the Senator is aware of that situation.

Mr. CLARK. I think I am as well aware of it as is the Senator from Idaho. I think the Senator from Idaho is as well aware of the following fact as I am: that the name "Democrat" and the name "Republican" tend to mean very little in this body, and have meant very little, at least as long as I have been here and, I suspect, as long as the Senator from Idaho has been here.

The Senator from Idaho knows as well as I do that there are four parties in the Senate. About 45 Senators on this side of the aisle support the Kennedy administration. I like to call them Kennedy men. The remaining Members on this side of the aisle do not generally support the President.

On the other side of the aisle are about 30 Senators who oppose practically everything the President of the United States wants to do. About six, seven, eight, or nine able Senators on the other side of the aisle consider the national interest and vote with us most of the time. That is probably why I consider them first-class Senators. We need those six, or seven Senators to enable us to pass most of the legislation.

Although we did not get a single one of their votes on some of the amendments yesterday, through an extraordinary display of solidarity on this side of the aisle we managed to keep our bill intact even when not a single Republican was willing to vote with us.

Mr. DWORSHAK. If the Senator will examine the RECORD, he will find that the Senator from North Dakota [Mr. Young] voted for the passage of the farm bill.

Mr. CLARK. And several Republican Senators voted for the passage of the public works bill yesterday; however, they did everything possible to wreck it on its way through the Senate. One Republican Senator voted for one of the amendments, and then changed his vote.

Mr. DWORSHAK. The Senator ought to be aware that the leader of his party in the White House recently addressed the annual convention of the United Auto Workers of America at Atlantic City. He made an ardent, fervent appeal for the support of Walter Reuther and his union members to purge some Members of Congress—and that presumes some Democrats in Congress—because they have not lined up in support of the administration of the New Frontier.

So the Senator from Pennsylvania ought to be sympathetic and understand when he makes the charge that there are at least four splinter parties in the United States Senate. Probably that is true. Nevertheless, I hope that the Senator from Pennsylvania will never find

himself aligned with any majority which might dominate this body at any future time.

Mr. MANSFIELD. Mr. President, the Democrats are grateful to the distinguished Senator from North Dakota [Mr. Young] for voting for the passage of the farm bill, and we are grateful to the five Republicans who joined with us yesterday in the passage of the public works bill. I do not know whether there are four parties in the Senate. There are divisions within the parties. However, I hope that we will forget our party affiliation and on occasion work together for the common good, and not throw charges back and forth on the basis of what is happening in the stock market. I think I can speak impartially on that subject, because I do not own any stock. I recall that for many years people have been saying that the stock market has been too high; that some time the rise will have to stop. I know that industrial production is at a new high; that employment is at a new high; and that profits are reasonably good, and in some corporations are extraordinarily good.

I know that the Government has provided built-in safeguards in the form of the Employment Act of 1946, the extension of unemployment compensation insurance, and the proposal passed yesterday. All of them are supposed to be safeguards against possible recessions in the future.

If any consideration is to be given to the problems which confront the country as a whole, I believe it would be well for us on occasion to forget that we are either Democrats or Republicans, and to be Americans, first.

I do not think the President of the United States should be criticized for trying to grab extraordinary powers, because I know he has not done so, and I know that all Members of the Senate, regardless of the party to which they belong, know that, too, because they served with him in the Senate for 8 years, and many of us also served with him during his 6 years in the House of Representatives.

So I think there is a place to stop; and there is a responsibility which all of us must assume. The interests of the country, rather than the interests of any party, always must come first.

Mr. DWORSHAK. Mr. President, will the Senator from Montana yield?

Mr. MANSFIELD. Yes, indeed.

Mr. DWORSHAK. I am sure that many Members on the minority side are in complete accord with the sentiments just now expressed by the majority leader.

So far as I am concerned, I commend him for his fine spirit of cooperation and for his efforts to coordinate the work of this body so as to attain objectives vital to the economy and to the survival of our Nation.

Mr. MANSFIELD. I thank the Senator from Idaho for his kind words.

Mr. WILLIAMS of Delaware. Mr. President, I do not wish to become involved in a controversy as to whether there are two or four political parties in the Senate: but I think the majority leader will agree with me when I say

we have an excellent two-party system which is a bulwark and a source of great strength for the country.

As evidence that it is a two-party system I call the attention of the Senator from Pennsylvania [Mr. CLARK] to the fact that every Member on the Democratic side of the aisle that was elected to the U.S. Senate in 1960 had the full support of President Kennedy, and, furthermore, those who are running for reelection this year, whether they be in the North or the South, are being supported by President Kennedy. Yes, every Democratic Senator who is running for reelection is being supported by the President, but none of the Republican Senators who are running for reelection have been endorsed by the President.

So I believe it is evident that we have a strong two-party system based on the division in this Chamber by means of the center aisle. That is the way it should be.

I do not criticize the President for supporting the Democratic Senators or for opposing the Republican Senators; but when he does support their election let there be no complaints about the results he gets.

AMENDMENT OF THE FOREIGN ASSISTANCE ACT OF 1961

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 1495, Senate bill 2996, in order that it be laid before the Senate and be made the pending business.

The motion was agreed to; and the Senate proceeded to consider the bill (S. 2996) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes, which had been reported from the Committee on Foreign Relations with amendments.

Mr. MANSFIELD. Mr. President, the purpose of having the bill taken up at this time is to have it before the Senate. No action will be taken on the bill today or on Friday, when next we meet. Debate on the bill will begin on Tuesday, June 5, at the conclusion of the morning hour on that day.

POLICIES OF GENERAL SERVICES ADMINISTRATION IN PROCUREMENT OF STRATEGIC MINERALS FOR THE NATIONAL STOCKPILE

Mr. WILLIAMS of Delaware. Mr. President, recently I have been studying the policies of the General Services Administration in its procurement of strategic minerals for our national stockpile.

I have been very much concerned over the terms of some of these contracts wherein it did not appear that the interests of the U.S. Government had been properly protected.

It is recognized that competitive bids were not always possible, and it should be considered that much of this procurement was authorized in an atmosphere of emergency as the result of the then current Korean war. But the fact that an emergency existed did not excuse or

relieve either the procurement officials of the Government or the contractors of their responsibility to include in the contracts adequate safeguards to protect the American taxpayers.

This can best be done by the procurement officials' insisting upon competitive bids whenever feasible, and in all instances when such competitive bidding is not feasible all negotiated contracts should carry a proper renegotiation provision whereby original estimates of costs can be reexamined and redetermined after both parties have had the benefit of experience in actual production.

The Symington committee is doing an important job in calling attention to some of the unnecessary costs in our procurement program, and I am confident that before their hearings are concluded they will examine the terms of some of the contracts as they affect our procurement costs.

In this connection I shall today discuss three contracts which were negotiated by the General Services Administration with the Hanna Mining Co., Hanna Nickel Smelting Co., and the M. A. Hanna Co., of Cleveland, Ohio, and shall point out why I do not think that in these particular contracts the best interests of the U.S. Government were properly protected.

At the same time I shall incorporate in the Record the comments of the Comptroller General, along with the comments of both the General Services Administration and the Hanna companies.

The Comptroller General's full report on these three contracts of the Hanna companies as submitted to the Congress follows. I concur in the criticisms of the Comptroller General as to the effect of these contracts.

Mr. President, I ask unanimous consent to have printed in the RECORD as part of my remarks a letter from the Comptroller General under date of April 26, 1961, in which he first called the attention of Congress to these three contracts.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

COMPTROLLER GENERAL OF THE
UNITED STATES,
Washington, D.C., April 26, 1961.

B-133357.
Hon. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: Herewith is our report on the audit of General Services Administration (GSA) contracts DMP-49, 50, and 51 with the Hanna Mining Co., Hanna Nickel Smelting Co., and the M. A. Hanna Co., respectively, of Cleveland, Ohio. The Hanna contracts were executed in 1953 under the Defense Production Act of 1950 (50 U.S.C. App. 2061) to expand the productive capacity and supply of nickel because of the then prevailing shortage.

Our review indicated that the terms of the contracts were consistent with the applicable legislation and that the purpose of the contracts has been fulfilled. Hanna succeeded in expanding the productive capacity and supply for nickel by (1) developing the only significant domestic source of nickel, (2) producing substantial quantities of nickel during a period when there was a shortage of that metal, and (3) distributing nickel to industrial consumers. On the

other hand, the contracts presented Hanna the opportunity to (1) utilize nickel deposits which it has controlled since 1943 and on which it had spent over \$440,000 prior to the GSA contracts, (2) recover these prior costs through contract operations, (3) develop and prove a process for the production of ferronickel at no cost to itself, (4) acquire facilities established solely for the production of ferronickel under the contract at a nominal cost to itself, (5) develop a commercial market for its product, and (6) become the only significant producer of nickel in the United States using domestic ores.

Several matters of interest in connection with the negotiation and administration of these contracts are discussed in this report. They are:

1. The terms of the contracts resulted in limited financial risks on the part of the Hanna companies.

2. The sale of ore to the Government at fixed prices without provision for price redetermination does not appear to be appropriate for these contracts.

3. The terms of one of the contracts permit Hanna to acquire clear title to a smelter constructed with Government funds of over \$22 million by paying the Government the estimated salvage value of the facilities (about \$1,700,000). There now are indications that the smelter may have a commercial value after the contract is completed, and we suggest that the Administrator of General Services enter into negotiations with Hanna to attempt to provide for additional payments to the Government if commercial operations are continued at the termination of the smelting contract. GSA has informed us that Hanna has given no indication of any willingness to make a payment beyond its contract obligation. Hanna takes the position that any additional value would be its compensation for operating the smelter at no profit.

4. We believe that GSA's practice of not selling ferronickel at prices based on the market price of nickel, because such prices would be less than it pays for the material, has contributed to the cessation of sales of ferronickel to industry. We are recommending that the Administrator of General Services confer with the Office of Civil and Defense Mobilization (OCDM) regarding the changed nickel supply conditions which might make it advisable for GSA to dispose of the ferronickel inventory. GSA has informed us that it is in the Government's interest not to sell ferronickel from Government inventories since such action might interfere with a possible takeover of the plant by Hanna. OCDM has apprised us that it has offered other types of nickel for sale but not all the nickel offered has been sold and that there is no reason to believe that industry would have shown any preference for ferronickel.

In addition, the contract with the Hanna Mining Co., under which most of Hanna's profits on the entire project are earned and which contains a negotiated fixed price, does not contain an adequate examination of records clause. Therefore, we were unable to review the contractor's records in order to evaluate the cost and profit factors making up the fixed price. There is no legal requirement that contracts negotiated under the authority of the Defense Production Act of 1950, as amended, contain a clause permitting the Comptroller General to have access to pertinent records of the contractor. Accordingly, the Congress may wish to consider amending the Defense Production Act of 1950 to provide that contracts negotiated pursuant to that act contain an examination of records clause.

This report is also being sent today to the President of the Senate. Copies are being sent to the President of the United States; the Administrator of General Services; and

the Director, Office of Civil and Defense Mobilization.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Mr. WILLIAMS of Delaware. Mr. President, in the letter the Comptroller General cited three pertinent points. He called attention to the facts that first, the terms of the contracts resulted in limited financial risks on the part of the Hanna Cos.; second, the sale of ore to the Government at fixed prices without provision for price redetermination does not appear to be appropriate for these contracts; and third, the terms of one of the contracts permit Hanna to acquire clear title to a smelter constructed with Government funds of over \$22 million by paying the Government the estimated salvage value of the facilities—about \$1,700,000.

Mr. President, I may say here that I fully agree with the conclusion of the Comptroller General that in fixing the price for the ore—which in that instance was \$6 a ton—the contract should have included a provision whereby the Comptroller General or the General Services Administration could have reexamined the contract, and then, if warranted, it could have been renegotiated and a different price arrived at.

It is true that the law did not specifically require that contracts made pursuant to the Defense Production Act contain an examination of records clause. Nevertheless, I do not think that is any excuse for the failure to include such a provision in the original contract. The inclusion of such a provision should have been insisted upon.

Mr. President, in the second contract the cost of depreciating the value of a plant which cost the Government around \$22 million, was included in the cost of the nickel being sold to the Government, along with the cost of the ore and the other manufacturing costs. All of this was passed on to the Government when it purchased the products from the companies. Therefore, it can correctly be said that by allowing for the amortization of the plant in the cost of the finished product—the nickel—the Government had paid for the plant to the extent of its original value down to its present salvage value of approximately \$1,700,000. Again, I do not think the best interests of the Government were protected when a clause was included in the contract under which the company had an option to buy the plant at its present depreciated value of about \$1,700,000 without any regard to its original valuation. This is a most important point. This clause, in my opinion, does not properly protect the Government's interests, and I concur in the Comptroller General's criticism.

Next, Mr. President, I ask unanimous consent to have printed in the RECORD as part of my remarks the introductory statement by the Comptroller General as to the background of the contracts. This report contains a brief analysis of the contracts, a summary of the manner in which they were negotiated, and a summary of the terms of the three con-

tracts, which are designated as "DMP-49," "DMP-50," and "DMP-51."

There being no objection, the report was ordered to be printed in the RECORD, as follows:

REPORT ON AUDIT OF GENERAL SERVICES ADMINISTRATION CONTRACTS DMP-49, 50, AND 51, WITH THE HANNA MINING CO., HANNA NICKEL SMELTING CO., AND THE M. A. HANNA CO., CLEVELAND, OHIO

The General Accounting Office has made an audit of General Services Administration (GSA) contracts DMP-49, 50, and 51 with the Hanna Mining Co., Hanna Nickel Smelting Co., and the M. A. Hanna Co., respectively, of Cleveland, Ohio. All of these contracts were dated January 16, 1953, and are still in effect. The audit was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 87). The scope of the audit work performed is described on page 20 of this report.

INTRODUCTION

Contracts DMP-49, 50, and 51 were entered into by the Defense Materials Procurement Agency (DMPA) on January 16, 1953, pursuant to the Defense Production Act of 1950, as amended (50 U.S.C. App. 2061), for the purpose of expanding the productive capacity for nickel and the supply of nickel available to the United States. DMPA was established in August 1951 by Executive Order 10281 as an independent agency to carry out certain provisions of the Defense Production Act of 1950, principally those designed to encourage the increased production of strategic and critical materials. The Administrator of GSA was also the Administrator of DMPA. DMPA was abolished in August 1953 by Executive Order 10480, and its personnel, records, and principal functions were transferred to GSA. The Administrators of GSA from the time of the execution of these contracts to the present time were:

Jess Larson, July 6, 1949, to January 29, 1953.

Russell Forbes (acting), January 30, 1953, to April 30, 1953.

Edmund F. Mansure, May 1, 1953, to February 29, 1956.

Franklin G. Floete, March 5, 1956, to January 20, 1961.

John L. Moore, February 6, 1961, to present. The Office of Defense Mobilization (ODM) was responsible for formulating industry expansion programs and determining the extent of expanded capacity required under the Defense Production Act of 1950, as amended. That agency was merged with the Federal Civil Defense Administration on July 1, 1958, and is now known as the Office of Civil Defense Mobilization (OCDM). The Directors of these organizations from 1950 to the present were:

Charles E. Wilson, December 16, 1950, to March 31, 1952.

John R. Steelman (acting), April 1, 1952, to September 4, 1952.

Henry Fowler, September 5, 1952, to January 20, 1953.

Arthur S. Flemming, January 22, 1953, to March 14, 1957.

Gordon Gray, March 15, 1957, to June 30, 1958.

Leo A. Hoegh, July 1, 1958, to January 20, 1961.

Frank B. Ellis, March 7, 1961, to present. These contracts were made with three interrelated Hanna Cos.—the Hanna Mining Co. and Hanna Nickel Smelting Co. being subsidiary companies of the M. A. Hanna Co. Prior to these contracts, no substantial quantities of nickel were produced in the United States. To expand the nickel supply for defense purposes, the contracts with the Hanna Cos. provided among other things that—

1. The Hanna Mining Co. would develop a nickel-bearing ore deposit at Riddle, Oreg.; mine the ore; and sell the ore to the Government at fixed prices. (See discussion on contract DMP-49.)

2. The Hanna Nickel Smelting Co. would construct a smelting facility at Riddle, Oreg.; purchase the ore from the Government at the same price that the Government paid for the ore; and process the ore into ferronickel for sale to the Government. (See discussion on contract DMP-50.)

3. The M. A. Hanna Co., as agent for the Government, would sell the Government's ferronickel to industrial users and receive a commission for the ferronickel sold. (See discussion on contract DMP-51.)

SUMMARY

Our review indicated that the terms of the contracts were consistent with the applicable legislation and that the purpose of the contracts has been fulfilled. The Hanna companies succeeded in expanding the productive capacity and supply for nickel by developing the only significant domestic source of nickel, producing substantial quantities of nickel during a period when there was a shortage of that metal, and distributing nickel to industrial consumers. On the other hand, these contracts presented Hanna the opportunity to (1) utilize nickel deposits which it has controlled since 1943 and on which it had spent over \$440,000 prior to the Government's nickel expansion program, (2) recover these prior costs through contract operations, (3) develop and prove a process for the production of ferronickel at no cost to itself, (4) acquire facilities established solely for the production of ferronickel under the contract at a nominal cost to itself, (5) develop a commercial market for its product, and (6) become the only significant producer of nickel in the United States using domestic ore deposits.

Our examination disclosed several matters of interest in connection with the negotiation and administration of the contracts. These matters are summarized below and are described in more detail in subsequent sections of this report.

Limited financial risk to Hanna companies

Although other contracts made by GSA under the Defense Production Act of 1950 that we have reviewed limited in varying degrees the financial risks of the contractors, the Hanna mining and smelting contracts eliminated practically any risk of financial loss to the Hanna companies. Under the Hanna contracts the Government guaranteed virtually all the contractor's capital investment and provided a market for all the contractor's production at prices which virtually precluded operating losses.

Fixed sales price of ore without redetermination not appropriate for these contracts

The mining contract provides a basic fixed price of \$6 a ton for the sale of ore to the Government subject only to escalation of certain base costs and premiums or discounts for variances in the nickel content of the ore. The price was based on estimates submitted by Hanna, prior to actual operations, which indicated a rate of profit of about 90 percent of costs before taxes. Since the contract precludes GSA from examining the financial results of the mining operation, GSA is not in a position to ascertain the reasonableness of the estimate upon which the fixed price was established. In view of the uncertainties surrounding the feasibility of the smelter operation and the absence of cost information on the mining operations at the time these contracts were negotiated, it is our opinion that the contracts should have provided for reexamination of the costs and profits relating to both the mining and the smelting operations at

the end of the specified trial period with a view to possible price redetermination.

Right to acquire smelter at a price considerably below indicated value

The smelting contract permits Hanna to acquire clear title to the smelting facilities costing about \$22 million by paying the Government the estimated salvage value of the facilities (about \$1,700,000) after the Government's advance has been amortized. Changed conditions now indicate that the smelting facilities may have a commercial value for a number of years after the contract expires. We are suggesting, therefore, that the Administrator of General Services enter into negotiations with Hanna to attempt to provide for additional payments to the Government if commercial operations are continued after termination of the smelting contract. GSA has informed us by letter dated November 14, 1960, that Hanna has not indicated any willingness to make a payment above its obligation under the contract. Hanna, in a letter dated October 31, 1960, pointed out that it agreed to operate the smelter at no profit and that, if the plant was worth more than the option price, the additional value would be compensation for operating the smelter.

Mining contract does not permit Government access to all pertinent records

The examination of records clause of the mining contract does not permit the Government to have access to the contractor's financial statements and cost records pertaining to operations under this contract. Accordingly, neither GSA nor we could evaluate the reasonableness of the cost and profit factors making up the fixed price under this contract which was negotiated without advertising in the absence of competition.

Contracts made pursuant to the Defense Production Act of 1950 are not required by law to contain an examination of records clauses. In order that we might better review the use by GSA and other Government agencies of the broad negotiating authority made available by the Defense Production Act, we believe it necessary to review the operations of contractors pertaining to contracts negotiated under the act. Accordingly, the Congress may wish to consider amending the Defense Production Act of 1950 to provide that such contracts contain a clause permitting the Comptroller General to have access to any pertinent records of the contractors.

GSA's sales practice has contributed to the cessation of ferronickel sales to industry

GSA's practice of not selling ferronickel at prices based on the market price of nickel metal has contributed to the cessation of the sales of ferronickel to industry, although the Government contemplated that the ferronickel produced under the subject contracts would be sold to industry, and the principal purpose of contract DMP-51 with the M. A. Hanna Co. was to accomplish such sales. As a result, Government funds are being increasingly tied up in unneeded inventories of ferronickel, which at September 30, 1960, totaled \$57.3 million. GSA has informed us that a policy directive issued by OCDM prevented the sale by GSA of ferronickel at prices based on the market price of nickel. Since the directive was issued, the nickel supply situation has changed drastically and the defense stockpile goals for nickel have been exceeded.

To reduce the Government's large and rapidly growing investment in ferronickel inventories, we are recommending that the Administrator of General Services confer with OCDM regarding the changed nickel supply conditions which might make it advisable for GSA to dispose of the ferronickel inventory.

Mr. WILLIAMS of Delaware. Mr. President, in the summary the Comptroller General states in connection with the purchase of the plant:

The smelting contract permits Hanna to acquire clear title to the smelting facilities costing about \$22 million by paying the Government the estimated salvage value of the facilities (about \$1,700,000) after the Government's advance has been amortized. Changed conditions now indicate that the smelting facilities may have a commercial value for a number of years after the contract expires.

And therefore the Comptroller General suggested that the Administrator of the General Services Administration enter into negotiations with Hanna to see what could be done in regard to getting a more favorable settlement from the standpoint of the Government. However, again I emphasize that there is no excuse why such provisions protecting the Government were not included in the original contract.

Continuing, the Comptroller General criticizes the way in which the mining contract did not provide a clause which permitted the Government access to pertinent records for reexamination and redetermination as to costs. The fixed price of \$6 per ton without renegotiation provisions was not in the best interest of the Government.

On that point the Comptroller General was very critical that adequate protection was not in the contract and also that the company would not now agree to allow the Comptroller General to examine the records.

This fixed price of \$6 for the ore also had a tax advantage, as pointed out in the Comptroller General's report, in that it allowed a greater portion of Hanna's profit to be accrued under the allowable depletion for this type of ore.

Under these contracts the contractor could not lose. The Government was assuming all the risk.

At this point, I ask unanimous consent to have inserted in the RECORD as a part of my remarks that portion of the Comptroller General's report entitled "Contract Background."

There being no objection, the contract background was ordered to be printed in the RECORD, as follows:

CONTRACT BACKGROUND NEED FOR THE CONTRACTS

The United States is the largest consumer of nickel in the free world. In 1952, prior to the Hanna contracts, domestic consumption was about 200 million pounds but domestic production was only about 1.2 million pounds a year (excluding scrap). Domestic nickel requirements were met principally from Canadian sources and from a U.S. Government-owned facility in Nicaro, Cuba.

With the start of the Korean war, increased military and civilian demand created a shortage of nickel which necessitated Government controls over the use of this metal and programs to increase the supply available to the United States. On January 4, 1952, the Office of Defense Mobilization established an industry expansion goal (program) to increase the supply of nickel available to the United States. Under this program, incentives, such as guaranteed loans, advances, and purchase contracts, were offered to industry to encourage expansion of its productive capacity for nickel.

The Hanna contracts were made, under the expansion program, to develop a domestic source of nickel and thus help alleviate the shortage of nickel in the United States. The contracts were aimed at established facilities capable of producing between 13 and 21 million pounds of contained nickel a year.

CONTRACT NEGOTIATIONS

About 2 weeks after the nickel expansion goal was announced by ODM, the M. A. Hanna Co. informed DMPA that it had property under lease near Riddle, Oreg., containing proven quantities of nickel-bearing ore, that it had conducted research and tests of ore treatment methods, and that it had made certain preliminary arrangements regarding the facilities needed for production of ferronickel.

Subsequent informal discussions were held between the M. A. Hanna Co. and the Government, and on June 27, 1952, the Hanna Mining Co., a subsidiary of the M. A. Hanna Co., submitted a formal proposal to the Government whereby Hanna would finance the mining operations and the Government, through advances of funds, would finance the smelting operation.

This proposal was reviewed for essentiality by the Government, and in a report dated July 2, 1952, it was recommended that a contract acceptable to Hanna be made because of the pressing demand for nickel and in view of the fact that the Hanna deposit appeared to be the only nickel deposit in the United States which might provide important quantities of nickel for defense purposes. The report stated that the recommendation was made despite indicated high costs and uncertainties caused by a lack of adequate testing, which would ordinarily warrant the complete rejection of the proposal.

Negotiations continued during the subsequent year and were culminated on January 16, 1953, when the three contracts were signed.

CHARACTER OF CONTRACTUAL ARRANGEMENT

Under the contract with the Hanna Mining Co., the Government agreed to buy a specified quantity of nickel-bearing ore at a fixed price including profit. Under the contract with the Hanna Nickel Smelting Co., the Government agreed (1) to sell to the smelting company all the ore purchased from the mining company at the same price the Government paid for the ore and (2) to purchase specified quantities of ferronickel produced from the ore at a price which included the cost of smelting and the cost of the ore but which did not include any profit to the smelting company. Therefore, all the profits anticipated under these contractual arrangements were included in the sales price of the ore paid to the Hanna Mining Co. The GSA negotiation file indicates that this arrangement was made at Hanna's insistence, apparently for income tax purposes. Under this arrangement, a greater depletion allowance is available to the Hanna companies than might be the case if the mining company sold the ore directly to the smelting company. GSA's records indicate that the Government negotiators sought to negotiate one contract to cover both the mining and the smelting operations but that Hanna refused to contract on that basis.

The use of separate contracts with the Hanna companies for mining and smelting differed from other contracts made by the Government under the Defense Production Act of 1950 that we have reviewed in that other DPA contracts of a similar nature consisted of single contracts to purchase end

¹ At the time the contracts were negotiated and signed, the company was known as the Hanna Coal & Ore Corp. The company changed its name to the Hanna Mining Co. in 1958.

products. In this case the only product desired by the Government was ferronickel.

CONTRACTOR'S COMMENTS

By letter dated October 31, 1960, Hanna advised us that "the reason for the separate contracts actually was dictated by several other considerations. Preeminent among those was the fact that the mining operation was to be a wholly Hanna venture, whereas the smelter operation was to be entirely for the account of the Government as to capital and operating costs, risks of the venture, etc. That basic arrangement automatically suggested separate contracts. Additional considerations were the avoidance of allocation problems and the separation of liabilities, including the lien in favor of the Government which was to cover only the smelter properties and secure performance of only the smelting contract. In our opinion, these were persuasive reasons which required separate contracts regardless of depletion considerations."

While the considerations stated above may have led Hanna to insist on separate contracts for the smelting and mining operations, we believe that all of these considerations could have been met, including separate contracts, without allocating all profits to the mining company.

PARTICIPATING COMPANIES

The contracts involve three separate but interrelated Hanna companies and the Government negotiated all the contracts with the same representatives of the Hanna companies.

The M. A. Hanna Co., with which the Government has the contract for the sale of ferronickel to industry, is concerned principally with the management of various subsidiary and affiliated companies.

The Hanna Mining Co., which developed and operates the mine near Riddle, Ore., also controls a number of subsidiary companies engaged in mining, shipping, and docking, and mineral exploration activities and also engages in mining operations on its own account. At the time the contracts were signed, the M. A. Hanna Co. owned a majority of the capital stock of the Hanna Mining Co. and the remaining stock was closely held by officers and directors of the Hanna companies.

Hanna Nickel Smelting Co., which owns and operates the smelting facilities in this project, is a wholly owned subsidiary of the Hanna Mining Co. and was chartered in accordance with the laws of the State of Delaware on January 15, 1953. The company's sole activity consists of operating the smelting facility in accordance with contract DMP-50. Management services for the Hanna Nickel Smelting Co. are provided by the M. A. Hanna Co., for which the former pays the latter the sum of \$100,000 a year.

Mr. WILLIAMS of Delaware. Mr. President, later in this report the Comptroller General outlines—and I think Members of the Senate as well as of the Symington committee may be interested in this—the principal provisions of the three contracts as they affect both the Government and the company.

I ask unanimous consent to have printed in the RECORD as a part of my remarks the principal contract provisions of the three contracts, DMP 49, 50, and 51.

The provisions were ordered to be printed in the RECORD, as follows:

PRINCIPAL CONTRACT PROVISIONS

The principal terms of the three contracts, as amended, are as follows:

DMP-49, THE HANNA MINING CO.

1. The contractor was, at its own expense, to open, develop, and equip its mining prop-

erty on Nickel Mountain, in Douglas County, Ore., at an estimated cost of \$3,800,000.

2. The contractor agreed to mine and sell to the Government and the Government agreed to buy such aggregate quantity of ore as may be required by the smelter and the Government agreed to pay for the ore based on its nickel content. Ore analyzing 1.5 percent nickel was to be paid for at the rate of 20 cents per pound of contained nickel (equivalent to \$6 a ton) with a premium and discount based on variances in the percent of nickel content. The price was subject to adjustment (escalation) based on variances between specified base costs and certain Department of Labor indices. The price was intended to cover mine development costs, mining costs, and profit.

3. The contract was to expire when the specified quantities of ore had been delivered or at June 30, 1962, whichever was earlier. In addition, the mining contract could be terminated if the smelting contract was terminated.

DMP-50, HANNA NICKEL SMELTING CO.

1. The Government was to advance to the contractor all the funds required to construct and operate a facility to produce ferronickel using the ore mined by the mining contractor. The construction (or capital) advance was limited to \$22,875,000 and the operating (or working capital) advance was limited to \$3,750,000. Both advances were to bear interest at the rate of 5 percent a year on the unpaid balance.

2. The Government agreed to sell to the smelting contractor and the contractor agreed to buy at cost all the ore the Government purchased from the mining contractor under contract DMP-49.

3. The contractor agreed to sell to the Government and the Government agreed to purchase all salable ferronickel produced up to a maximum of 125 million pounds of nickel contained in ferronickel at prices to be based on costs of production, including the cost of the ore and the interest on the Government's advances. Also, the price of the first 95 million pounds of contained nickel sold to the Government included a factor which would enable the contractor to repay the full amount of the construction advance. There was no provision for profit. These prices were limited to specified ceilings which were subject to escalation upward or downward based on Department of Labor and other indices. The total estimated Government commitment to purchase ferronickel was about \$111,500,000.

4. A new and untried process was to be used to produce ferronickel, and the smelting contract permitted certain preliminary periods of testing to be conducted by the contractor in order to establish the technical proficiency of the production process.

5. The smelting contract could be terminated under various circumstances. The principal circumstances follow. The contract was subject to termination by the contractor (a) at any time upon payment of the unpaid balance of the Government's advances with interest, (b) if the Government breached either the mining or the smelting contract, and (c) if the contractor determined that the process was not technically feasible. Technical feasibility was defined as the estimate of the contractor that the facility was capable of converting ore into salable ferronickel in the quantities required by the contract, at costs not in excess of the applicable contract ceiling prices. The Government could terminate the contract if the contractor breached the mining contract or the smelting contract.

6. If the contract was terminated by the contractor under any of the above circumstances, except technical infeasibility, the contractor had the option of (a) conveying all assets of the smelting company to the Government in consideration of canceling

its liability to the Government for unpaid advances and accrued interest or (b) repaying the balance of the advances with accrued interest, plus paying the Government an amount equal to 7½ percent of the construction advance, and retaining title to the smelting plant.

7. If the contract was terminated because of technical infeasibility, the contractor was required to convey all assets of the smelting company to the Government and the Government was required to cancel the contractor's liability for the advances and accrued interest thereon.

DMP-51, THE M. A. HANNA CO.

1. The contractor was to sell for the account of the Government ferronickel produced under contract DMP-50, and such other Government-owned material as was authorized. For such services the contractor was to be compensated at the rates customary in the trade. By a separate agreement the contracting parties agreed to a sales commission of one-fourth of 1 cent per pound of nickel sold.

2. The contractor, as the parent company of the contractor under DMP-50, guaranteed the Government against loss in the event of patent infringement by the smelting company and acted as surety in regard to the expenditure and repayment of funds advanced to the smelting company.

Mr. WILLIAMS of Delaware. The Comptroller General's report contains a summary of contract DMP-49 and DMP-50. This summary outlines in full the amount advanced by the company and by the Government and a list of the pounds of ferronickel sold to the Government over the respective years. The report shows that about 95 million pounds of ferronickel has been produced at a cost to the Government of \$90,545,000 over the period of 7 or 8 years.

I ask unanimous consent that the summary of the contract operations be printed in the RECORD at this point as a part of my remarks.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

SUMMARY OF CONTRACT OPERATIONS

MINING CONTRACT (DMP-49)

Development of the mining facilities at Riddle, Ore., began in March 1953 and was substantially completed by the end of 1955. The principal elements of the development included the erection of an aerial tramway from the mine at the summit of Nickel Mountain to the smelting plant in the foothills below, the installation of crushing and screening equipment, and the purchase of mining equipment.

The contract contained an estimate that \$3,800,000 would be required for mine development; actual costs totaled \$3,500,000, including \$441,000 for exploration and research incurred by Hanna prior to contract negotiations with the Government.

The nickel ore is extracted by an open pit mining operation which consists of scooping the ore from the surface of the earth with diesel shovels. The ore is transported by truck to a screening plant where it is crushed and screened. It is then transported on an aerial tramway to the smelting plant about 8,000 feet down the mountain from the mining facility. The ore produced by the mine is converted to ferronickel in the smelter owned and operated by the Hanna Nickel Smelting Co. There are currently no commercial sales of this ore.

GSA makes no direct payments to the mining company for the ore, since the cost of the ore to GSA is included in the price it pays to the smelter for ferronickel.

SMELTING CONTRACT (DMP-50)

The smelting facilities were constructed for the Hanna Nickel Smelting Co. under a cost-type subcontract which provided for a maximum fee of \$935,000. The plant was substantially completed in 1954; however, it was not brought to full productive capacity until early in 1956. This delay was to provide a period for testing the feasibility of the smelting process in accordance with the terms of the smelting contract. The completed plant cost about \$22,800,000 including interest during construction and break-in periods of about \$730,000 and the fee paid to the subcontractor of \$934,000. Also included in the \$22,800,000 cost of the facilities was land turned over to the smelting company by the mining company valued at \$32,000. Except for the land, all construction costs were paid from advances made by GSA.

Production began at the smelter in August 1954 on an experimental basis. After the break-in and testing periods, production steadily increased and by 1958 had reached the annual rate of over 20 million pounds of nickel contained in ferronickel. The following tabulation shows the quantities produced and the cost of ferronickel to the Government (including the cost of ore) since the start of operations:

Calendar year	Ferronickel sold to Government	
	Pounds of contained nickel	Cost to the Government
1954.....	320,000	\$207,000
1955.....	6,290,000	7,738,000
1956.....	11,020,000	10,345,000
1957.....	17,427,000	17,994,000
1958.....	22,067,000	21,870,000
1959.....	21,115,000	17,933,000
1960 (9 months).....	17,088,000	14,449,000
Total.....	95,327,000	\$90,545,000

The end product of the smelting operation, ferronickel, is a combination of iron and nickel. Ferronickel had not been produced in the United States on a commercial scale prior to the start of operations under this contract and is a relatively new product. It is used for alloying purposes principally in the production of stainless steel and for heavy plating.

In producing ferronickel, Hanna employs a technique known as the Uginé process, discovered by a French company before the Hanna project was started. Hanna contracted with the French firm for use of the process in March 1953 and pays a royalty ranging from about 1 cent to almost 2 cents per pound of nickel produced.

The GSA negotiation file indicates that it was the Government's intention to have the Hanna Nickel Smelting Co. operate on a break-even basis. The company had incurred a loss on smelting operations through 1956, and at the contractor's request the smelting contract ceiling price was increased to permit the contractor to recover these losses and operate on a break-even basis in the future.

For the purpose of recovering the operating loss on smelter operations, Hanna in a letter to GSA dated November 13, 1956, proposed amendments to the smelting contract to provide principally for (1) an increased ceiling price, and (2) an additional advance of \$1 million for capital installations estimated to enable Hanna to reduce production costs. Hanna stated that unless the contract ceiling price was increased it would be obliged to make a negative determination of the technical feasibility of the smelting operation and discontinue production. In that event, as Hanna pointed out in its letter, it was permitted to terminate the contracts, and the Government would have to

take over the smelting company's facilities and other assets, cancel the smelting contractor's liability to GSA for unpaid advances, assume all losses incurred by the smelting contractor, and reimburse the mining contractor for its unrecovered mine development costs. By the end of 1956 the loss on smelting operations totaled \$1.9 million.

Negotiations for the increased ceiling price resulted in a formal contract amendment dated November 8, 1957. The principal provisions of the amendment were (1) an increase in the ceiling price from 60.5 cents to 75 cents per pound of contained nickel in ferronickel, subject to escalation, (2) an increase of \$875,000 in the authorization for capital advances, and (3) that the contractor make a favorable determination that the smelting facilities were capable of producing the required quantities of ferronickel within the limits of the ceiling price. During the period of negotiations for an increase in the ceiling price, GSA authorized temporary increases in the ceiling on a month-to-month basis in order to avoid further operating losses. For the 9 months during which this arrangement was in effect, payments to Hanna in excess of the contract ceiling price totaled \$1.2 million.

Immediately subsequent to the upward revision of the smelting contract ceiling price, the smelting company experienced a sharp reduction in unit production costs. The increase in the ceiling price and the reduced production costs enabled the contractor to recover all the operating losses incurred prior to the contract amendment within a short period of time. The Hanna Nickel Smelting Co.'s statements show that on September 30, 1957, the deficit on smelting operations amounted to about \$1.9 million; by December 31, 1957, this deficit had been reduced to about \$1.7 million; and by September 30, 1958, the entire deficit had been recovered. It was possible for the contractor to recover past operating losses because the smelting contract provides that such losses can be included as an element of future production costs. After the deficit had been recovered, the ferronickel produced was sold to GSA at Hanna's current production cost plus a charge for the amortization of capital advances made by GSA. The capital advances were fully amortized by September 30, 1960, and ferronickel produced after that date will be sold to GSA at Hanna's production costs which, for the 9-month period ended September 30, 1960, were about 60 cents a pound.

SALES AND GUARANTEE CONTRACT (DMP-51)

Sales of the ferronickel produced under contract DMP-50 to industrial users began in the fall of 1955 and were made for GSA's account by the M. A. Hanna Co. in accordance with the terms of contract DMP-51.

Following is a summary of the sales of contained nickel made by the M. A. Hanna Co. under this contract:

Calendar year	Sales of ferronickel		
	Pounds of contained nickel	Average unit price	Sales
1955.....	996,000	\$0.925	\$921,000
1956.....	14,080,000	1.20	16,922,000
1957.....	15,264,000	1.18	17,948,000
1958.....	1,000	1.00	1,000
1959.....			
1960.....			
Total.....	30,341,000		\$35,792,000

The ferronickel purchased by GSA which has not been sold has been stored at GSA depots or at the contractor's plant.

Initially the selling price for the ferronickel was designed to return to the Government the same price paid by GSA for the

material. However, this policy was revised for sales made in the first quarter of 1956, at which time sales were made at a higher-than-cost price in order to provide a reserve for losses then being incurred by the smelting contractor, which losses the Government expected to absorb. Subsequently, the sales price was again adjusted to cover only GSA's purchase cost for the material.

GSA records show, as indicated in the following tabulation, a profit on the sale of ferronickel produced under contract DMP-50 for the period from inception of the contract through December 31, 1958.

Sales.....	\$35,792,000
Cost of sales.....	31,473,000
	<hr/> 4,319,000
Commission to the M. A. Hanna Co.....	76,000
Other costs (handling, storage, etc.).....	90,000
	<hr/> 166,000
Profit on sales.....	4,153,000

¹ Through the end of calendar year 1957 the smelting company had incurred costs in excess of the ceiling prices charged to the Government of about \$1,727,000. These excess costs were charged to the Government in subsequent periods during which operating costs were less than the ceiling prices. The profit as shown above is therefore overstated by the amount of these excess costs incurred during the period when the sales were made but which, under the terms of the contract, were not charged to GSA until a subsequent period.

Hanna, in a letter dated October 7, 1960, stated that, after considering the profit on the above sales and the salvage value of \$1,700,000 for the plant, according to its calculations the average cost of the Government's ferronickel inventories would approximate the present market price so that in the normal course of events the Government ought to recover substantially its entire investment under these contracts. We have reviewed the calculations prepared by Hanna which show that, if the contract is carried to completion, the net value of the ferronickel in inventory will be 74.72 cents a pound. Estimates prepared by GSA as of June 30, 1960, show an estimated sales price for ferronickel of only 71.5 cents a pound which would result in a loss of over \$3 million on the operations of this contract. In addition, GSA has paid freight and other costs of over \$1 million on the ferronickel which was not included in the Hanna calculations. See also page 18 on the difficulties connected with disposing of the ferronickel inventories.

Mr. WILLIAMS of Delaware. The Comptroller General concluded his report by commenting on the different provisions of the contract. This includes both the Comptroller General's comments on the three contracts, his suggestions for correction of the existing law, the comments from the General Services Administration, and comments from the M. A. Hanna Co.

I ask unanimous consent that these various comments on the contract provisions be printed in the RECORD at this point as a part of my remarks.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

COMMENTS ON CONTRACT PROVISIONS

LIMITED FINANCIAL RISK TO HANNA COMPANIES

Although other contracts made by GSA under the Defense Production Act of 1950

that we have reviewed limited in varying degrees the financial risks of the contractors, the Hanna mining and smelting contracts eliminated practically any risk of financial loss to the Hanna companies. Under the Hanna contracts the Government guaranteed virtually all the contractors' capital investment and provided a market for all the contractors' production at prices which virtually precluded operating losses.

The means by which Hanna's financial risks under these contracts were limited are discussed below.

Safety of capital investment

The major part of the funds required for the project, those needed to construct the smelting facilities, were made available by the Government in the form of an advance against production. Hanna's investment was limited to the relatively small cost of the mining facilities. The Government's advance for construction was to be repaid by the smelting contractor from the proceeds of the sales of ferronickel to the Government. The contract price for the first 95 million pounds of contained nickel sold to the Government contained a specific provision for full repayment of the construction advance.

The following tabulation compares Hanna's and the Government's investment in the Riddle, Oreg., nickel project.

Investment by—	Mining facilities	Smelting facilities
Hanna.....	\$3,500,000	\$33,000
U.S. Government.....		22,300,000
Total.....	3,500,000	22,333,000

¹ Includes about \$400,000 expended by Hanna for exploration and research prior to the start of contract negotiations with the Government.

In addition, the Government advanced to Hanna all funds needed for working capital in the smelting operation. The working capital advance was limited to a maximum balance of \$3,750,000.

Hanna's investment in the mining facilities of \$3,500,000 was fully guaranteed by the Government if the smelting process failed. The investment was not guaranteed if Hanna breached either the mining or the smelting contract or terminated the contracts by early repayment of the Government advances. In addition to guaranteeing Hanna's investment in the mining facilities, the contracts also provide, in the event of Government breach, that a portion of the anticipated total profit under the mining contract would be paid to Hanna as damages. GSA has estimated that if the mining contract is carried through to completion the contractor will have a cash return of about three times its capital investment in the mine facilities through sale of ore to GSA. Since Hanna had estimated that the ore reserves at Riddle would last about 20 years, we believe that the recovery of its capital investment was virtually assured.

Since the smelting facility was to use a new and untried process, it was provided that, if operations proved infeasible, the contracts could be terminated by Hanna, all advances would be canceled by GSA, and the assets of the smelting company would be conveyed to the Government. If the contracts were so terminated, Hanna could lose only its investment of about \$33,000 in the smelting company.

Market for production provided by the Government

A market for all the contractors' production over a 7-year period was assured since the mining contract required the Government to purchase ore sufficient to meet the requirements of the smelting contractor and the smelting contract required the Government to purchase the contractor's entire

production of ferronickel up to a maximum of 125 million pounds of nickel in ferronickel.

Operating losses improbable

The pricing provisions of both the mining and the smelting contracts limit the likelihood that either contractor would operate at a loss.

Based on estimates submitted by the contractor, the fixed price for ore under the mining contract would provide a high profit margin. The estimated operating figures submitted by Hanna in 1952 indicated a rate of profit before taxes, on the \$6 a ton ore price, of about 90 percent of cost or about 47 percent of sales price. In addition, Hanna's experience in mining operations should have enabled it to make accurate cost estimates pertaining to its mining operation.

Hanna, in a letter dated October 7, 1960, stated that after taxes the estimated rate of profit referred to above would be more on the order of 25 percent of sales which according to Hanna is a recognized level of profit in extractive industries where the nature of the business involves wasting assets.

The ceiling price to be paid to the smelting company for ferronickel was set at a rate estimated to cover all the contractor's operating expenses, as it was the Government's intention to have the smelting contractor operate on a break-even basis. The contractor was given a trial period (from inception of the contract through September 25, 1957) during which it could determine whether or not the smelter could operate economically within the ceiling prices. If the contractor decided to terminate the contract because of uneconomical operations, the Government was obliged to bear any losses which had been incurred during the trial period.

Both contracts recognized the possibility of rising operating costs because of wage increases and increases in other costs and contained escalation provisions for raising the contractors' selling prices in proportion to increase in Department of Labor and other indexes.

Although the contractors appear to have been adequately protected against any losses under these contracts, the Government was in a position to lose more than \$20 million if the smelting process proved infeasible during the first year of operation. The loss would have been progressively less, the longer the smelter was in operation. Had the process been a failure, GSA was obligated to (1) take over the smelting facilities in lieu of repayment of advances, (2) reimburse the mining contractor for its unrecovered mine development costs, (3) bear any operating losses incurred by the smelting contractor, and (4) assume the liability for power commitments.

Also, since the Government had to purchase the entire output of the smelter, it had to find markets for the ferronickel in order to avoid having funds tied up in inventories.

GSA and contractor's comments

In a letter dated November 14, 1960, GSA stated that Hanna was unwilling to assume any significant risk in view of the fact that the process was not completely determined as feasible on a commercial scale at the time the contracts were signed. Hanna in a letter dated October 7, 1960, also pointed out that, because of the defense requirements for nickel at the time the contracts were signed, it agreed at the insistence of the Government to produce ferronickel on a commercial scale without first conducting normal pilot plant tests. Because of this circumstance, Hanna believes that its reluctance to assume any material financial risk was justified.

FIXED SALES PRICE OF ORE WITHOUT REDETERMINATION NOT APPROPRIATE FOR THESE CONTRACTS

The mining contract provides a basic fixed price of \$6 a ton for the sale of ore to the Government subject only to escalation of certain base costs and premiums or discounts for variances in the nickel content of the ore. The price was based on estimates submitted by Hanna, prior to actual operations, which indicated a rate of profit of about 90 percent of costs before taxes. Since the contract precludes GSA from examining the financial results of the mining operation, GSA is not in a position to ascertain the reasonableness of the estimate upon which the fixed price was established.

Hanna views the mining operation as a venture separate and distinct from the Government-sponsored smelting operation. The contractor states that the Government assumed the risk in the mining operation only to the extent of guaranteeing its development costs should the smelting operation prove economically infeasible. According to Hanna, therefore, the mining operation was solely a private venture in which the Government had no financial interest.

We believe that Hanna's position would have had merit if the fixed price had been the result of competitive bidding or negotiation based upon comparable or actual cost experience. Since this mine contains the only known large domestic nickel source in the United States, competition was impossible, and, since this was a new venture, actual cost experience was not available.

By the end of the trial period in September 1957 the smelting plant was operating on a commercial scale but at costs in excess of the established ceiling price. In order to enable Hanna to recover the losses incurred during the trial period and operate at a break-even basis in the future, GSA agreed to increase the ceiling price in the smelting contract. Hanna declined, however, at the time the smelting contract ceiling price was increased, to reduce the price of the ore under the mining contract.

In view of the uncertainties surrounding the feasibility of the smelter operation and the absence of cost information on the mining operations at the time these contracts were negotiated, it is our opinion that the contracts should have provided for a reexamination of the costs and profits relating to both the mining and the smelting operations at the end of the specified trial period. This provision would have afforded both the Government and Hanna the opportunity to test the feasibility of the project and accumulate actual cost information over a reasonable period after which the entire project could have been reappraised in terms of costs and profits with a view to possibly redetermining the price paid for the ore by the Government.

RIGHT TO ACQUIRE SMELTER AT A PRICE CONSIDERABLY BELOW INDICATED VALUE

The smelting contract permits Hanna to acquire clear title to the smelting facilities by paying the Government the estimated salvage value of the facilities (about \$1,700,000) after the Government's advance has been amortized.

Construction of the smelting facilities by Hanna was financed entirely with funds advanced to Hanna by GSA. Funds for liquidating the advance over the life of the smelting contract were provided by including an amortization factor in the selling price of the ferronickel sufficient to completely liquidate the advance and the interest thereon after 95 million pounds of nickel contained in ferronickel had been delivered to GSA.

The smelting contract expires when Hanna delivers 125 million pounds of nickel contained in ferronickel to GSA or, in any event, not later than June 30, 1962. The contractor

has the option of obtaining clear title to the facilities when the contract expires or at any time prior to that date by paying off any unpaid balance of the advance, including accrued interest, and by making a residual payment equal to 7½ percent of total capital advances, excluding advances for replacements. Since the delivery of 95 million pounds of contained nickel as of September 30, 1960, has liquidated Hanna's liability to the Government for the capital advance, the only payment the contractor will be required to make in order to obtain clear title will be the residual payment which will total about \$1,700,000.

GSA has informed us that the residual payment was based upon the estimated salvage value of the facilities at the expiration of the contract. Although the Government negotiators asserted that the facility would have an economic value, Hanna representatives maintained that, unless there was a very strong worldwide demand for nickel after termination, the smelting operation would not be economically sound.

There are indications that the smelting facilities may have a useful, economic life for a number of years after June 30, 1962. The plant is currently producing ferronickel at a cost of about 60 cents per pound of contained nickel, including the profit on the ore earned by the mining company. The capital advanced for construction of the smelter has been fully amortized. The current market price for nickel ranges from about 69 cents to 74 cents a pound for the various types. The ore reserves at Riddle are estimated to last about 20 years from the start of full production. With the conditions in Cuba affecting nickel production in that country, it appears that there may be a market for the ferronickel produced by Hanna in the future. At the time the contracts were signed, the market price for nickel was 60 cents a pound.

We believe that it would have been in the Government's interest to have inserted a provision in the smelting contract which would have recognized the useful life of the facilities, if any, subsequent to the expiration of the contract. We note that such a provision was made in the contract involving the sale of the Government's Texas City tin smelter by the Federal Facilities Corporation. The sales price in that case was \$1,350,000, but it was recognized that the purchaser might use the facilities for production purposes. Accordingly, the sales contract required the purchaser to make additional contingent payments, not exceeding \$2 million, based on future production, sales, and deliveries at the Texas City smelter. The purchaser subsequently produced metal at the tin smelter and made additional payments to the Government.

If the plant has a remaining commercial usefulness, then the amortization of the Government's advance over a period shorter than the possible economic life of the facilities increased the cost of the ferronickel to the Government. Accordingly, economic value of the facilities in excess of their sale price to Hanna at estimated salvage value points to a profit which Hanna considers as compensation for operating the smelter. We believe that prudent practice requires that the facilities should have been developed at a minimum cost to the public and that any postemergency advantages to Hanna should have been kept to the minimum. Accordingly, we suggest that GSA reevaluate the economic usefulness of the smelter and, if a determination is made that its economic life exceeds the period contemplated by the contract, attempt to negotiate an equitable price with Hanna in excess of estimated salvage value. Such negotiation, if effected, would for all practical purposes adjust the price of the ferronickel to the Government downward to Hanna's cost, as apparently intended under the smelting contract, and

provide Hanna the opportunity to acquire the plant at a reasonable price.

It is expected, and the Congress assumed, that the Government should compensate industry for unusual risks occasioned by abnormally short economic utility of needed new facilities under emergency conditions. Since the utility of such a facility upon completion of the contract was at best a guess at the time it was made 8 years ago; adjustments resulting from a reevaluation of that utility based upon demonstrated and prospective performance appear proper.

GSA and contractor's comments

GSA informed us by letter dated November 14, 1960, that from discussion with Hanna, covering all phases of a possible takeover of the operations, it had received no indication from Hanna of any willingness to make a payment above its obligation under the contract. Hanna stated in a letter dated October 31, 1960, that it agreed to operate the smelter at no profit and that, if after the completion of the contracts the plant is worth more than the option price, the additional value would be its compensation for operating the smelter. Hanna also points out that if it acquires clear title to the plant it will have to assume a firm power commitment amounting to over \$1,200,000 a year for 12 years. The GSA negotiation files show that GSA considered the profit Hanna would make on the mining contract as quite liberal for both the mining and the smelting operations, and there is no indication that it intended the contractor's option to purchase the plant at its estimated salvage value as additional compensation to Hanna.

MINING CONTRACT DOES NOT PERMIT GOVERNMENT ACCESS TO ALL PERTINENT RECORDS

The examination of records clause of the mining contract does not permit the Government to have access to the contractor's financial statements and cost records pertaining to operations under this contract. Accordingly, neither GSA nor we could evaluate the cost and profit factors making up the fixed price under this contract which was negotiated without advertising in the absence of competition.

Although the examination of records clause of the smelting contract (DMP-50) provides that Government representatives shall have the right to examine any pertinent books, documents, papers, and records of the contractor involving transactions related to that contract, the corresponding clause in the mining contract (DMP-49) gives the Government access only to records involving the progress of construction of the mining facilities, cost of these facilities, and the production and delivery of ore. GSA records indicate that the Government negotiators attempted to broaden the examination of records clause in the mining contract but that Hanna would not accede to the Government's request. GSA has informed us that Hanna's refusal was based on its reluctance to reveal its mining costs and profits.

Since practically all the profits accruing to the Hanna companies from these contracts are earned by the Hanna Mining Co. and because the negotiated fixed price for the ore was not based on previous cost experience, we considered a review of the operations of this company to be a significant part of our audit of these contracts. In the absence of effective competition, the charge to the Government for items procured under a negotiated contract is normally determined on the basis of actual or estimated costs to produce, plus a reasonable profit. We believe, therefore, that it is essential to have access to the contractor's pertinent records in order to verify and evaluate the cost and profit factors making up the contract price.

The Defense Production Act of 1950 does not specifically require that contracts nego-

tiated without advertising under the provisions of this act contain a clause giving the Comptroller General access to any pertinent records of the contractor. Although some contracts negotiated pursuant to this act contain adequate examination of records clauses since the contractors permitted them to be included, other Defense Production Act contracts, including DMP-49, do not include adequate clauses.

Matter for consideration by the Congress

In order to enable us to adequately review the use by GSA and other Government agencies of the broad negotiating authority made available by the Defense Production Act, we believe it necessary to examine the operations of contractors pertaining to contracts negotiated under this act. Accordingly, the Congress may wish to consider amending the Defense Production Act of 1950 to incorporate therein a provision requiring that all future negotiated contracts made under this act contain a clause permitting the Comptroller General to have access to all the contractor's pertinent records.

COMMENTS ON CONTRACT ADMINISTRATION

GSA'S SALES PRACTICE HAS CONTRIBUTED TO THE CESSATION OF FERRONICKEL SALES TO INDUSTRY

GSA's practice of not selling ferronickel at prices based on the market price of nickel metal has contributed to the cessation of sales of ferronickel to industry, although the Government contemplated that the ferronickel produced under the subject contracts would be sold to industry, and the principal purpose of contract DMP-51 with the M. A. Hanna Co. was to accomplish such sales. As a result, Government funds are being increasingly tied up in unneeded inventories of ferronickel, which at September 30, 1960, totaled more than \$57 million.

Beginning in the fall of 1955, GSA sold ferronickel produced by Hanna under contract DMP-50 to industrial users. Sales were made for GSA's account by the M. A. Hanna Co. in accordance with the terms of contract DMP-51. The selling price of the nickel contained in ferronickel was established by GSA, in accordance with directives of the Office of Civil Defense Mobilization, and was based on the price GSA paid for the material, which was well above the market price for nickel metal. The Department of Commerce recommended the companies to whom offers to sell ferronickel should be made. A summary of the sales made by the M. A. Hanna Co. is shown on page 11 of this report.

Commencing in the latter part of 1957, the Government was unable to sell all its ferronickel to industrial users. The expanding supply of nickel at market price and the slowdown in the business economy were the principal reasons for the lack of demand. Sales, which had been at the rate of 4 million pounds of contained nickel per calendar quarter, dropped to 181,000 pounds during the last quarter of 1957 and to less than 1,000 pounds in the first quarter of 1958. No sales have been made from that time through September 30, 1960.

Hanna officials informed us in September 1958 that the ferronickel had previously been readily accepted by industry, but, with the easing of the nickel supply situation, the ferronickel produced under these contracts could no longer be sold at the premium prices sought by GSA. These officials informed us also that it was their belief that substantial sales of ferronickel could be made if the selling price was made competitive with the regular market price of nickel. GSA was then asking \$1.06 a pound for nickel contained in ferronickel, whereas the market price for electrolytic nickel was only 74 cents a pound.

In a number of reports to the Congress pursuant to section 304(b) of the Defense

Production Act, GSA recognized that substantial quantities of the contractor's production would eventually be sold at the market price of nickel.

In view of the foregoing, the apparent likelihood that nickel would remain in plentiful supply for the foreseeable future, and the fact that the material was not needed for stockpiling purposes, we suggested to GSA by letter dated Dec. 8, 1958, that GSA consider authorizing the M. A. Hanna Co. to solicit industry with an offer to sell the Government inventory of ferronickel at prices based on the current market price for nickel. We believed that such action would free the sizable Government investment in its ferronickel inventory for other more useful purposes.

By letter dated January 9, 1959, GSA informed us that the present directive from OCDM prevented the diversion of nickel to industry at less than the price the Government was paying and that any change in this policy to permit sales at market prices would require OCDM's approval. GSA stated also that the possibility of disposing of any substantial quantity of ferronickel in the foreseeable future was improbable in view of the then present oversupply of nickel.

The directive referred to by GSA was dated May 29, 1957, at a time when nickel was in short supply. Since that date, the nickel supply situation has changed drastically and the defense stockpile goals for nickel have been exceeded. Accordingly, in view of these changed conditions, we believe that GSA should review with OCDM the desirability of disposing of the Government's large ferronickel inventory.

On the basis of our discussion with Hanna representatives and of our review of the correspondence Hanna had received from its ferronickel customers, it appears there may be a market for the Government's ferronickel at prices based on the current market price of nickel. Although ferronickel was never produced in the United States before the Hanna contracts, the product has been readily accepted by industry.

GSA and OCDM comments

In a letter dated September 7, 1960, OCDM stated that since 1957 the Government had continued to offer nickel powder and sinter at market prices but not all the nickel offered was sold. In addition, it stated that unless ferronickel was offered at a price below market, which would be contrary to the provisions of the Defense Production Act, there was no reason to believe that the industry would have shown any preference for ferronickel.

We believe that OCDM's conclusion, that industry would have shown no preference for ferronickel unless it were offered at a price below market, is not convincing. According to information available to us, Hanna is the only domestic producer of ferronickel. Therefore, the price at which Hanna is able to sell the metal produced under these contracts would appear to establish the domestic market price for this material. We understand that ferronickel can be used in the production of stainless steel or in heavy nickel plating but is not adaptable to fine nickel plating. The quoted domestic market price of electrolytic nickel and nickel powder on March 1, 1961, was 74 cents a pound, while the market price of nickel sinter was 69.6 cents a pound. The resale price of ferronickel in the Government inventory at June 30, 1960, was estimated by GSA at 71.5 cents a pound. The Government's interest may best be served by authorizing Hanna to sell ferronickel at a price which would be reasonably related to, but not necessarily the same as, the prices quoted for other types of nickel.

GSA, in a letter dated November 14, 1960, stated that it was trying to develop with Hanna a termination of the contract in order

to reduce its purchases of ferronickel and that its success in bringing about a termination is dependent upon Hanna's success in selling future production. In order not to interfere with Hanna's activities in this direction, GSA stated that it believed it was in the Government's interest not to sell ferronickel from Government inventories. We still believe it would be in the Government's interest to instruct Hanna to sell the Government-owned ferronickel to industry. While this may decrease the Government sales of other nickel, there is also the possibility that Hanna could sell ferronickel to users who would otherwise purchase imported nickel and that the combined sales effort of GSA and Hanna will result in an increase in the total sale of Government-owned nickel. If the Government continues its policy of not authorizing Hanna to sell ferronickel, and Hanna does not terminate the contract prior to the production of the full contract quantity, GSA will have to purchase an additional \$18 million worth of ferronickel from October 1, 1960, through the completion of the contract in 1962 and then may find itself in the position of competing with Hanna for the sale of ferronickel to industrial users.

Recommendation to the Administrator of General Services

So that the Government's large and rapidly growing investment in ferronickel inventories (\$57.3 million at September 30, 1960) may be reduced, we recommend that the Administrator of General Services confer with OCDM for the purpose of developing a policy which would permit GSA to dispose of ferronickel to industry.

SCOPE OF AUDIT

Our audit included an examination of GSA's activities with respect to the negotiation and administration of contracts DMP-49, 50, and 51 and a review of the work performed by the Agency's internal auditors with respect to these contracts. We also examined on a selective basis GSA's and certain of the contractors' records and financial transactions pertaining to these contracts to the extent deemed necessary in the circumstances. We were not permitted to examine the record of the Hanna Mining Co. with respect to cost and profits pertaining to the nickel project at Riddle, Oregon, because of restrictions in the contract. Our audit covered the period from the beginning of contract negotiations in January 1952 through September 30, 1960. The audit work was performed in the General Services Administration offices in Washington, D.C., and the contractors' facilities and general offices at Riddle, Oreg., and Cleveland, Ohio, respectively.

Mr. WILLIAMS of Delaware. Mr. President, I am sure the Symington committee will be reviewing not only this contract but many other contracts as they examine the \$8 or \$9 billion inventories which we have accumulated in our national stockpile, much of which was purchased at a time when we did not need the materials. We should know how much was purchased at prices which were higher than necessary.

It is well that we go behind many of these contracts and ascertain not only the purchases that were made but also if purchases were made at prices that were justifiable. Let us examine some of these contracts, in order that we may find out how the best interests of the Government were protected at the time of the negotiations.

We have a responsibility to see that procurement is carried out in the best interests of the U.S. Government. The taxpayers, who are ultimately paying for

it, should be assured that they are adequately protected. A review of the Comptroller General's report as incorporated here today will show that in the negotiation of these three contracts the Government was not adequately protected.

POULTRY AND TURKEY PRODUCTION

Mr. WILLIAMS of Delaware. Mr. President, last year both the turkey farmers and the poultry farmers throughout America suffered substantial losses as the result of overproduction.

On February 6, 1962, I incorporated in the CONGRESSIONAL RECORD a report showing how six different agencies of the U.S. Government had doubled their lending activities during 1961. During the first 6 months of 1961 these agencies were lending twice as much money toward financing the construction of new poultry houses and the increased production of broilers and laying hens as in the preceding year.

Thinking perhaps that these same Government agencies through their lending activities might have also contributed to the overproduction of turkeys during the past 2 years, I asked for a sample check by two of these agencies. I have just received their reports.

The first agency, the Federal Land Bank, while having a substantial increase in its loans during the past 2 years, had in effect not been lending very heavily in any of the years surveyed.

The second agency, the Production Credit Association, financed through the Federal intermediate credit banks, did make substantial loans and showed a sizable increase in its financing of increased production of turkeys.

In 1959, 1960, and 1961 their loans made to finance turkey production were as follows:

In 1959, 712 loans totaling \$22,086,116.

In 1960, 783 loans totaling \$26,853,080; an increase of 21.5 percent.

In 1961, 828 loans totaling \$29,528,363; an increase of 9.9 percent.

A complete breakdown of these loans by States will follow my remarks.

It must be remembered that during this same period that these agencies were increasing their lending activities to finance the increased production of turkeys, the Department of Agriculture was urging the farmers to cut back their production.

Mr. President, there can be no question that the increased lending activities of these Federal agencies during the past few years has played an important part toward bringing the poultry and turkey farmer to the verge of bankruptcy, and the irony of the situation is that the same Department of Agriculture, which has been pouring out millions to finance the overproduction of the turkey and poultry industries, is now asking the farmers to vote in favor of strict Government controls over production.

This administration seems to be determined to force the American farmer to accept a straitjacket of production controls, and apparently, in order to achieve this objective, they will have no

hesitancy in pushing him to the verge of bankruptcy.

During recent months we have already seen the Department of Agriculture manipulate the grain market for the announced intention of forcing the corn producing farmers to sign up under the feed grain program.

During the past 2 months, he has been selling corn for poultry use in certain States several cents per bushel below other areas in a deliberate attempt to create chaos between competitive poultry producing areas. If private industry were using this two price system in such a manner, the Department of Justice would have been in action long ago.

It just does not make sense to find the Government financing the increased expansion of turkey production while at the same time the Secretary has been

issuing pious press statements warning the farmers against overproduction; and, unless these irresponsible and contradicting policies are stopped, both the Federal Government and the American farmer will go bankrupt.

At this point I ask unanimous consent to have printed in the *RECORD* as a part of my remarks the report of the lending activities of these two agencies during the past 3 years.

There being no objection, the material was ordered to be printed in the *RECORD*, as follows:

FARM CREDIT ADMINISTRATION,
Washington, D.C.

Hon. JOHN J. WILLIAMS,
U.S. Senate.

DEAR SENATOR WILLIAMS: We have now completed a summary, by States, of the information obtained from the institutions

under our supervision regarding money loaned for the production of turkeys in the past 3 years. This is the information which you requested in your letter of January 3.

Two tables are enclosed summarizing the loans made. One table shows loans financing the production of turkeys which were made in the years 1959, 1960, and 1961 by the production credit associations and the other financing institutions rediscounting with the Federal intermediate credit banks. The other table summarizes loans made during the same years by the Federal land banks, which financed production of turkeys.

The banks for cooperatives are not included in this report because, as you know, the loans by these banks are each made for overall operations of a cooperative and there is no way of determining how much of the loan might be used for any purpose related to turkey production.

Sincerely yours,

R. B. TOOTELL,
Governor.

FEDERAL LAND BANKS

Number and amount of loans for the production of turkeys, by States,¹ calendar years 1959-61

District and State	1959		1960		1961	
	Number	Amount	Number	Amount	Number	Amount
1. Connecticut.....					2	\$21,100
New York.....			1	\$9,850		
Total.....			1	9,850	2	21,100
4. Indiana.....					2	4,156
6. Illinois.....	1	\$9,500				
7. Michigan.....	1	12,600	1	4,700		
Minnesota.....	1	2,775	2	7,000	2	5,280
North Dakota.....					1	13,000
Total.....	2	15,375	3	11,700	3	18,280

¹ No Federal land bank loans made in States not shown above for purposes indicated.

Loans financing the production of turkeys made in the years 1959-61 by production credit associations and other financing institutions rediscounting with the Federal intermediate credit banks

District and State	1959		1960		1961	
	Number	Amount	Number	Amount	Number	Amount
1. Maine.....			1	\$6,000	1	\$5,440
New Hampshire.....	12	\$76,890	10	63,570	9	48,000
Vermont.....	3	11,750	2	13,500	2	7,300
Massachusetts.....	19	84,455	17	99,635	14	104,220
Rhode Island and Connecticut.....	12	225,953	9	381,744	10	410,490
New York.....	12	299,797	10	185,155	11	166,451
New Jersey.....	4	21,450	3	18,500	6	49,292
Total.....	62	720,295	52	768,104	53	791,193
2. Pennsylvania.....	19	146,197	21	149,585	19	156,788
Delaware.....	2	43,000	3	61,760	2	15,000
Maryland.....	4	53,500	3	15,400	3	10,500
Virginia.....	8	21,200	5	19,300	7	40,463
West Virginia.....	4	38,900	4	17,650	5	35,402
Total.....	37	302,797	36	263,695	36	258,153
3. North Carolina.....	6	75,800	7	177,572	13	147,608
South Carolina.....	1	25,000	2	58,200	2	95,000
Georgia.....	3	12,859	5	30,100	5	51,200
Florida.....						
Total.....	10	113,659	14	265,872	20	293,808
4. Ohio.....	61	1,168,812	67	1,623,811	59	1,623,925
Indiana.....	91	2,485,757	119	3,921,090	117	3,986,545
Kentucky.....	6	102,836	10	136,780	8	116,623
Tennessee.....	1	1,500	2	47,517	1	47,605
Total.....	159	3,758,905	198	5,729,198	185	5,774,698
5. Alabama.....						
Mississippi.....	1	2,000	1	1,800		
Louisiana.....						
Total.....	1	2,000	1	1,800		
6. Illinois.....	14	478,265	15	642,443	17	797,186
Missouri.....	77	1,733,513	94	2,295,558	105	2,633,799

District and State	1959		1960		1961	
	Number	Amount	Number	Amount	Number	Amount
6. Arkansas.....	18	\$577,646	15	\$450,293	26	\$752,371
Total.....	109	2,789,424	124	3,388,294	148	4,183,356
7. Michigan.....	7	165,991	9	185,726	10	271,212
Wisconsin.....	20	892,909	21	1,033,599	29	1,555,332
Minnesota.....	71	2,491,115	88	3,699,053	102	4,459,145
North Dakota.....	2	130,900	3	173,787	5	237,631
Total.....	100	3,681,385	121	5,092,165	146	6,523,320
8. Iowa.....	22	1,195,133	22	1,013,055	23	1,137,143
South Dakota.....						
Nebraska.....	10	426,191	11	517,942	13	589,349
Wyoming.....						
Total.....	32	1,621,324	33	1,530,997	36	1,726,492
9. Kansas.....	3	12,450	3	18,906	2	12,849
Oklahoma.....	11	526,155	10	423,299	10	596,744
Colorado.....	7	221,452	7	250,110	6	246,631
New Mexico.....						
Total.....	21	760,057	20	692,315	18	856,224
10. Texas.....	18	456,309	17	523,309	15	474,983
11. Arizona.....						
Utah.....	26	2,136,571	26	2,682,440	30	2,817,981
Nevada.....						
California.....	90	4,982,653	89	4,950,013	79	4,651,622
Total.....	116	7,119,224	115	7,632,453	109	7,469,603
12. Montana.....						
Idaho.....			1	5,874	1	5,576
Washington.....	2	21,070	5	57,894	5	75,283
Oregon.....	45	739,667	46	901,110	56	1,095,674
Total.....	47	760,737	52	964,878	62	1,176,533
Grand total.....	712	22,088,116	783	26,853,080	828	29,528,363

THE PUBLIC WORKS BILL

Mr. PROXMIRE. Mr. President, a short time ago the distinguished Senator from Pennsylvania spoke on the public works bill which passed the Senate yesterday. I want to make it clear, Mr. President, that I feel very strongly it was possible to vote against the bill without being tied to any archaic economic philosophy. I voted against the bill, and I did so on the basis of a very thorough economic analysis.

The fact is that I serve on the Joint Economic Committee. I have attended hearings of the committee very faithfully for the past 2 years. Both in 1961 and 1962 I filed a dissent with the committee in which I disputed the very economic theory that is behind the public works proposal which was before the Senate yesterday. I did so in some detail. I feel very strongly that bill was not the way to accomplish the purpose, or the time to do it.

I would like to put in the RECORD pertinent data from the Economic Indicators, the most recent, for May 1962, which show that the gross national product has been moving up, from \$503 billion in the first quarter of last year to \$544 billion this year—a tremendously rapid increase.

At the same time personal expenditures have risen sharply. In the first quarter of this year they were at a record high.

Also, while unemployment is a serious problem, and I think we must recognize it as such, it dropped from 7 percent, seasonally adjusted, in May of last year to 5.5 percent last month.

While the drop in unemployment has not been consistent, unemployment seasonally adjusted is at the lowest point it has been in some time.

I believe that if we have a very serious unemployment situation, if the economy is in serious trouble, the Congress not only has a right but also has a firm duty to act.

But I think that Senators have every reason to exercise their own independent judgment. Merely because the President of the United States makes a recommendation we do not have to agree. If we disagree with the President, I think we have an obligation to vote our consciences.

While I have the greatest of respect for the distinguished senior Senator from Pennsylvania [Mr. CLARK], I wish to make it clear that my vote on the public works bill yesterday certainly was not a vote against the President of the United States and certainly was not a vote to subscribe to some archaic economic theory. It was a vote representing a conviction on my part that we do not act with economic sense when we vote for a \$1½ billion emergency public works program on top of what we already have provided at a time when unemployment is falling, at a time when the gross national product is rising at almost a record rate, and at a time when almost all economic indicators signify that the economy is expanding and moving ahead.

I spelled out my thinking on this point in considerable detail in my individual

views appended to the Joint Economic Committee report on the President's Economic Report, this year and last year. I ask unanimous consent to include in my remarks at this point excerpts from my two statements, the first relating to the 1961 Economic Report, the second to the 1962 Economic Report.

There being no objections, the excerpts were ordered to be printed in the RECORD, as follows:

DISSENT FROM COMMUNITY FACILITIES RECOMMENDATIONS

What I have said immediately above is why I dissent from the committee's recommendation of a great program for such local purposes as "police and fire stations, streets and parks."

The necessities of national defense, interest on the huge national debt and such necessarily national programs as the farm dilemma and care of veterans have enormously swollen the size and cost of the Federal Government. But these are national problems bearing a national responsibility that can be met only by the Federal Government.

It is true that CWA and WPA engaged in local projects at the depth of the great depression with great benefit to the idle men who were taken off a dole and provided with useful, constructive work.

Today, however, our unmet need for national defense, including civil defense, in an increasingly perilous world is immense.

The responsible and expert Gaither and Rockefeller reports both call for a far greater national defense effort than we are now making. If the Federal Government is to step up its participation in our national economy it should be in the field that is peculiarly its responsibility—providing a surer and safer national defense.

CLOUDED CRYSTAL BALL

What is happening to the economy in the current quarter is an excellent example of the harmful consequences of Government economic policy based on short-run prediction.

The committee warmly praises the action of the administration in attempting to stimulate the economy as soon as it took office by speeding up Government spending. Hearings before the committee revealed, however, that almost none of this speedup was effective in the first quarter of calendar 1961 when unemployment and idle plant capacity reached their peak. Testimony also suggested that virtually the full impact of this speedup in Federal spending will be in the current quarter. Furthermore, it will coincide with the exact period during which the Government will already have by far the greatest expansionary impact on the economy in many years.

Accordingly, we can expect a sharp increase in demand during the current quarter but a serious letdown in the impact of the Government on the economy after July 1.

Here is a case study in economic policy gone wrong:

1. Virtually the full impact of the \$600 million increase in Federal spending resulting from President Kennedy's order to agencies to speed up their spending to help put men back to work will be in the current quarter. This will be borrowed largely from periods later in the current calendar year.

EXCERPT FROM 1962 INDIVIDUAL VIEWS
PRESIDENTIAL PUBLIC WORKS DISCRETION

For many similar reasons I am opposed to the President's request to the Congress to grant him authority to initiate \$2 billion of public works spending whenever unemployment has been rising for 3 out of 4 or 4 out of 6 months, and has risen by more than 1 percent above its level 4 or 6 months earlier.

Such a formula, of course, provides immense discretion for the President to spend money without specific congressional approval.

It appears to be based on the theory that there is some spending that ordinarily cannot be justified on its merits; but might be justified in a period of economic adversity as a method of recovery. I disagree that spending which cannot be justified on its merits is likely to be justified in terms of good public policy except in times of very serious economic adversity. While the argument for such spending might have solid merit in the event of a depression, once again—on the record—it is doubtful if any President would have difficulty under these circumstances persuading the Congress to support a constructive program.

What is more this proposal has the serious demerit of authorizing grants-in-aid to State and local governments for projects which are peculiarly local in their nature—police and fire stations are an example—and should—if any expenditure should—be left to local discretion and local responsibility.

PROXMIRE OPPOSITION TO AID TO YUGOSLAVIA

Mr. PROXMIRE. Mr. President, I wish to speak briefly on another subject.

I wish to make it clear, once again, that I vehemently oppose aid to Yugoslavia. In 1958 I offered an amendment to eliminate aid to Yugoslavia, which got substantial support but failed.

Mr. President, yesterday the New York Times carried a story with respect to the report by the Twentieth Century Fund, which hailed aid to Yugoslavia and said that this helped to spur Belgrade's independence from the Soviet Union.

That report was written by the Twentieth Century Fund before the developments of the past few weeks, which have seen Tito take steps to renew his ideological ties with the Soviet Union.

We have seen the pro-Khrushchev actions of Tito, and we have seen what has happened to Milovan Djilas, the distinguished Yugoslav who had the temerity to criticize Khrushchev, who is now jailed and under two sentences totaling nearly 9 years.

This morning the New York Times published a very interesting followup on the Twentieth Century Fund. It reports that Tito has received an invitation to visit the Soviet Union, and is going to visit the Soviet Union.

Mr. Paul Underwood, in a special to the New York Times, has this to say about Tito's proposed visit:

The visit by Marshal Tito to the Soviet Union will mean the Yugoslav President's rehabilitation as a formally recognized leader in the Communist world.

Mr. President, I can understand, though I may disagree with it, why it is necessary to give foreign aid to dictatorships which may be on our side. I can understand why we give foreign aid to neutral powers which are democratic. I cannot understand, Mr. President, why in the world we should use the American taxpayers' money to provide foreign aid for a dictatorship which is a Communist dictatorship, which is being reconsti-

tuted, according to the last report, as a close ally of the Soviet Union.

The junior Senator from Wisconsin feels that the purpose of our foreign aid program should be to extend and to protect freedom throughout the world. We certainly do not accomplish that when we support a government as tyrannical as is the Tito government of Yugoslavia. It makes no sense at all to support that government, when that government is supporting communism, is very close to Khrushchev, is allied with Khrushchev, and is opposing our position.

Mr. President, I ask unanimous consent to have printed in the RECORD the articles from the New York Times relating to aid to Yugoslavia.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Times, May 28, 1962]

U.S. AID TO YUGOSLAVIA IS HAILED IN REPORT BY 20TH CENTURY FUND—SURVEY FINDS HELP SPURRED BELGRADE'S INDEPENDENCE FROM SOVIET—NOTES DEFIANCE OF TITO BY DJILAS

(By Murray Illson)

A Twentieth Century Fund report issued yesterday contended that United States aid had helped Yugoslavia to become independent of the Soviet Union.

The report also said that the aid had served U.S. foreign policy well and was an example to the uncommitted countries of aid "with no political strings attached." It said that the aid had contributed to a higher standard of living in Yugoslavia.

Yugoslavia, a Communist country, was described as "staunchly independent of Moscow" and frequently friendly to the West.

WRITTEN BY EDUCATORS

The report, entitled "Yugoslavia and the New Communism," was written by George W. Hoffman, professor of geography at the University of Texas, and Fred Warner Neal, professor of international relations and government at the Claremont Graduate School, California.

The Twentieth Century Fund describes itself as a nonprofit, nonpartisan foundation that sponsors studies in the fields of economics, social problems and international affairs. Its headquarters is at 41 East 70th Street.

The authors observed that "the new Yugoslavia is an enigma to both East and West." They wrote that Yugoslavia "is an eastern European dictatorship but one with certain elements of democracy and personal freedom."

"Yugoslav communism," they noted, "contains enough features in common with Soviet communism to make it unattractive to capitalist and democratic America."

YUGOSLAV VIEW NOTED

Yugoslav Communists, according to the authors, hold the view that "neither pure capitalism nor pure socialism exists and that the 'conflict between the two systems, at the level of states, is not fundamental.'"

"Therefore," the report said, "the Soviet conception of the inevitability of capitalist hostility is considered invalid, as, indeed, is the Marxist idea that capitalism inevitably breeds war."

The report noted that between 1950 and June 30, 1959, the United States granted Yugoslavia \$1,157,600,000 in economic aid and \$724 million in military aid.

The authors' reference to a higher standard of living in Yugoslavia was printed before the recent disclosure of that country's economic troubles and President Tito's statement that "onions have now become dearer than gold."

The authors also reviewed the ups and downs in the post-World War II relations be-

tween Marshal Tito and the leaders of the Soviet Union. They noted the opposition to communism by Milovan Djilas, a former close associate of President Tito. M. Djilas recently received a 5-year prison sentence on a charge of having divulged state secrets in his new book, "Conversations With Stalin." In addition, he was ordered to serve 3 years and 8 months of an unexpired sentence.

EARLIER TROUBLES CITED

In their report, Professors Hoffman and Neal told of M. Djilas' troubles with the Tito government over an earlier book, "The New Class." Of that volume, the authors wrote:

"Its central theme is that ruling Communist groups are simply a new class of owners, historically no different from previous owning classes except that, since they can subject others to their will completely, their monopoly of ownership is complete."

At a news conference last week preceding the issuance of "Yugoslavia and the New Communism," Professor Neal was asked to comment on recent indications of friendlier relations between the Soviet Union and Yugoslavia.

He suggested that because of the doctrinal differences between the Soviet Union and Communist China "the portents favor Yugoslavia and the Soviet Union moving closer together." He added, however, that he did not think the closer relationship would affect Yugoslavia's "nonbloc independence."

Professor Neal also was asked why the Tito government did not permit M. Djilas to travel abroad. He replied that he thought it was a mistake for that government not to permit such travel. But he added: "Remember, you are dealing with an Eastern European Communist country."

At this point, August Heckscher, director of the fund, who presided at the news conference, interjected a remark to the effect that the United States, too, had been known to refuse some of its citizens permission to travel abroad.

[From the New York Times, May 29, 1962]

TITO GETS INVITATION TO SOVIET—VISIT WOULD CEMENT CONCILIATION—SUMMER TRIP PROPOSED BUT NO DETAILS ARE GIVEN—HIGH YUGOSLAV COUNCIL SHUFFLED

(By Paul Underwood)

BELGRADE, YUGOSLAVIA, May 28.—The Yugoslav Government announced today that President Tito has been invited to visit the Soviet Union this summer. No date or other details have yet been decided.

The announcement, made by a spokesman for the Yugoslav Foreign Ministry in response to newsmen's questions, was the first official confirmation of rumors that have been widespread in the Yugoslav capital for several days.

Such a visit would be a culminating acknowledgment of the new reconciliation between the two once rival Communist capitals of Belgrade and Moscow, a reconciliation that has been growing steadily for months.

A few hours after the announcement of Moscow's invitation, the Yugoslav Parliament approved a series of personnel and policy changes aimed at strengthening central control over the nation's ailing economy.

EXECUTIVE COUNCIL SHUFFLED

The changes included a shuffling of the Federal Executive Council, the chief executive arm of the Government, and a redistribution of functions. Parliament members were told that changes also would be made in the lower ranks of the Government.

The Federal Council shuffle involved the elevation of four officials who have held important but not leading jobs in economic administration. They are Boris Krajer, Milos Minic, Kiro Gligorov, and Jakov Blazevic. They will head four state secretariats, for foreign trade, general economic affairs,

trade and catering, and budget and general administration.

Out of the Council went Lidija Sentjurs, whose Secretariat for Social Welfare and Communal Questions was eliminated. Its functions were taken over by the Secretariat for Health and Social Security.

The visit by Marshal Tito to the Soviet Union will mean the Yugoslav President's rehabilitation as a formally recognized leader in the Communist world. Until recent months he has been under more or less steady Soviet-bloc attack as a heretical "revisionist" of Marxist-Leninist doctrine.

The Foreign Ministry announcement said only:

"The Government of the Soviet Union has invited the President to the Soviet Union for a holiday. However, nothing concrete has yet been decided."

There was no indication when the invitation had been extended, but it apparently followed the visit to Belgrade last month of Andrei A. Gromyko, the Soviet Foreign Minister. By the time Mr. Gromyko ended his 6-day stay here, official Yugoslav sources were predicting much closer economic and political ties between the two countries.

If the invitation is accepted—and there is little doubt in Belgrade that it will be—President Tito will be making his first visit to the Soviet Union since 1956.

His trip in 1956 followed the initial effort of Nikita S. Khrushchev, as First Secretary of the Soviet Communist Party, to patch up differences with Belgrade and bring the independent-minded Yugoslav Communists back into the Soviet fold. This effort collapsed in the wake of the Hungarian revolt in the fall of 1956 and the subsequent Yugoslav refusal to bow to Soviet-bloc discipline.

Now, after having consolidated his position at home at last autumn's congress of the Soviet Communist Party, Premier Khrushchev apparently has decided it would be useful for him to try again.

East European sources have said the Yugoslavs would not be required to give up their ideological differences with the bloc or to join the Warsaw Pact, the bloc's military alliance, as a price for Soviet friendship.

The Yugoslav Government's personal and policy changes were presented to Parliament in a lengthy speech by Edvard Kardelj, First Vice President. Although he took pains to deny that the measures represented any permanent retreat from the policy of decentralization pursued by the Tito regime in recent years, he acknowledged that they would bring about a "stronger administrative regulation" of economic relations.

Mr. Kardelj also disclosed that, because of the economic troubles, there would be some downward revision of the goals set forth in the 5-year plan for 1961 through 1966.

STRONGER CONTROLS ON TRADE

One of the most interesting of the changes was the establishment of the new Secretariat for Foreign Trade. Previously foreign trade enterprises were supervised by a committee that had only limited powers.

The new secretariat will have authority to control foreign trade operations strictly. These operations have come under heavy fire recently from President Tito and other Yugoslav leaders who have accused the enterprises of competing against each other in foreign markets to the detriment of the economy as a whole.

Asserting that the economic difficulties stemmed from a slump in agricultural and industrial production, overspending, and problems in finding export markets, Mr. Kardelj called for greater productivity and lower costs, vigorous efforts to increase exports and build up the tourist trade and the concentration of investment funds on essential projects.

Mr. PROXMIRE. Mr. President, accordingly, I send to the desk and ask

to have printed an amendment to eliminate aid for Yugoslavia from the pending foreign aid authorization. I ask unanimous consent that my amendment be printed in the Record at this point.

The PRESIDING OFFICER. The amendment will be received, printed, and will lie on the table; and, without objection, it will be printed in the Record.

The amendment is as follows:

On page 11, after line 24 insert:

"(g) Assistance to Yugoslavia under this Act shall be suspended for one year beginning July 1, 1962, or the date of enactment of this subsection, whichever is later. During this period the authority contained in section 614 and the second sentence of section 617 shall not be available for the benefit of Yugoslavia."

GOVERNMENT ASSISTANCE IN THE FIELD OF TRANSPORTATION

Mr. CURTIS. Mr. President, there is a long-established policy of Government assistance in the field of transportation. It is unnecessary for me to state why this is so important to the commerce, industry, and agriculture of the country as well as to our cultural advancement. It goes back to the building of the first roads, and it includes the original building of the great network of railroads that we have in this country.

When the airplane came along, this historic policy was adhered to. The Federal Government assisted with the building of airports. It provided the weather information and the control and directional facilities. In addition to this, a subsidy was provided for the establishment of our airlines. Many of those airlines are now trunklines or operate between larger places under conditions that they should now be able to stand on their own feet.

Throughout the years that civil aviation has been assisted by the Federal Government, all of the taxpayers of the country have been taxed to assist with this program. The business enterprise in the small community, far removed from practical air service, was taxed. The farmers and ranchers were taxed, including those in remote places, to help get mainliner service for other people. Everybody in the areas not served by commercial airlines was taxed at the same rate as the individuals in the communities which benefited to bring about our great airways.

This has been a good system. It means that we have private ownership of airlines which, in turn, means more efficiency, better service, and it has all the advantages any private enterprise has over a socialistic venture. A great many of the foreign countries operate partially or totally owned Government airlines.

The question now before the Civil Aeronautics Board, the Bureau of the Budget, and the Congress is, What about the future of airline subsidies? The sound position would be to bring an end to the subsidies for all of those areas that have had years and years of the subsidy benefit and see to it that airline service was operated there in the public interest but commensurate with what the traveling public can pay. Certainly luxury travel should not be subsidized.

Secondly, a sound policy requires the continuation of our historic policy of assistance to those communities and those areas that are not yet served by airlines. This is largely in the category of feeder airlines. Many of these areas and communities have either not been reached at all or have not been reached under conditions and for a length of time that would enable them to promote the maximum air travel. This is the case in Nebraska and several other places. I again remind Senators that these people without transportation facilities have for years and years paid additional taxes to establish transportation elsewhere.

A few years ago the Civil Aeronautics Board did authorize feeder-line service for Nebraska. Because this service was instigated, the major ownership and management of the company selected to provide this service was changed. Problems and controversy arose. The local people were thwarted in every direction in their attempt to promote air travel. The situation has now changed. The Frontier Airlines is now operating under new ownership and new management. The president, Mr. Lewis Dymond, is an honest, aggressive, intelligent individual who has come to the top in the field of civil aviation. Now, according to an examiner's report, the Civil Aeronautics Board is threatening to reverse their decision and deny feeder-line service to substantially all of Nebraska. An unbiased investigation would reveal clearly that the "use it or lose it requirement" has never had an opportunity to be fairly tried in Nebraska. It is my hope that the Civil Aeronautics Board and the Frontier Airlines will now give Nebraska and all of the interested communities the opportunity to do what the entire State was thwarted in doing through no fault of their own when the original Seven-States case was decided.

Mr. President, if airline subsidies are going to be paid at all, they should be used to assist the areas that need the transportation and have not yet had a chance to establish it.

Such communities should have first claim on whatever the Congress appropriates. Those lines that have been long subsidized to serve communities on main lines, or near main lines, should have a secondary claim on funds appropriated by the Congress, if they have any claim. The Civil Aeronautics Board must reverse their examiner's report and reinstitute the service originally intended for Nebraska or they will have violated all of the intent of our historic policy in this important field.

Mr. President, there is a responsibility on airlines, too. Some airline executives appear to have deliberately created a situation that would lead to the discontinuance of feeder line operations and have sought a monopolistic claim on the cream of the run. Mr. Dymond, the president of Frontier Airlines, is definitely not in this category. I gather from his utterances that he is in the business to make a success of a feeder line operation and that he and his associates will, if given a chance, bring air transportation to the many needed spots

in Nebraska that are now without it. His airline and these communities, and the State as a whole, should have the same treatment as has been given throughout the years elsewhere. We ask no more. We shall not be content with taking less.

Mr. MONRONEY. Mr. President, will the distinguished Senator from Nebraska yield?

Mr. CURTIS. I am happy to yield to the distinguished Senator from Oklahoma. No Member of Congress is more devoted to the cause of aviation in our country than is the Senator; or better informed on all questions relating to it.

Mr. MONRONEY. I thank my distinguished colleague for his compliment. I associate myself with his statement in that the development of a national transportation system, whether it be rail, roads, water, or air, is a vital communication link that we, as a great democracy, must have and preserve.

The airplane, being the latest mode of transportation to come into use, has not been able to reach all the points that need to be connected by air travel and air commerce. We are only beginning to develop what I feel civil aviation can do. We have scarcely crossed the threshold of air cargo transportation, which will eventually result in great forward strides in the movement of goods as well as people by air.

The importance of the feeder lines, of which the distinguished Senator from Nebraska has spoken so eloquently, has been well established by their use. There has been a vast increase in plane loadings and the use of aircraft by an extension of routes. However, lately, I fear that more attention has been given on some feeder lines to the establishment of extensions to metropolitan centers, rather than to serving the smaller communities which the feeder lines were designed to serve, and for which subsidies have been appropriated through the years to create a new class of air service to smaller communities.

If we are to follow through to the ultimate the so-called use it or lose it policy of the Civil Aeronautics Board, we shall see an abandonment of the less dense traffic places on the route system and a concentration into metropolitan areas, of planes overflying the small communities. If the plan is carried through, it will have the effect of making the feeder lines, which were established to reach the smaller communities, junior trunklines. If that were done, I would see no further need for subsidy, because the metropolitan areas can and should be served, if that is the only route of the line, by the trunk carriers who have proved they can provide the service without subsidy.

Therefore I think it is highly important to look at this question in its proper perspective. Until the new systems can take root, develop the traffic load, and prove the value of the service, they should not be automatically discontinued because someone in the Civil Aeronautics Board has said that a carrier must board five people a day in order not to lose the service for the community.

The figure is an arbitrary one. It may be right; it may be wrong. I believe the question would arise in the mind of anyone who studies feeder airlines, "What service do you render, and when?" I gather from the remarks of my distinguished colleague that the system was almost a built-in "use it or lose it" system. In Nebraska there might be one flight in at 6 o'clock in the morning and a return flight which would go through at 8 o'clock at night, or some unusual hour at which no one could use the service. Therefore, loss of the service would be forced. In all the statistical data I have been able to study, I have observed that where there are several schedules a day the people quickly adapt themselves to the convenience of the available air travel and can therefore use the air service. But almost invariably one service a day is an invitation to a minimum amount of use by that community. That one schedule cannot be fitted into the traveling habits and needs of the people of that community. Therefore, I have frequently urged that we should not sit here, do nothing, and decry or abandon a service that is so necessary to the areas in which more than 60 percent of our population live that are not now served by the major trunklines. The logical action should be to experiment with smaller planes which would give more frequent service. Perhaps they would fly direct shuttle services in and out, with several schedules a day. It would pay up to about 10 places. Perhaps the plane would be flown by one pilot. There would be no fancy stewardesses and no need for a copilot, because the planes would be flown VFR into uncrowded airports.

We would then have the result of a general test on several runs and into several territories. The State of Nebraska would afford an excellent area in which to test the service, if an adequate number of flights on a schedule were provided. I am convinced that the service would become economical in a short time and would contribute to the great air transport system so necessary in a country of the size and with the commerce of the United States.

The junior Senator from Nebraska well knows that statistics on feeder lines prove that 50 percent of their traffic load brought to metropolitan areas goes beyond on trunklines. Thus the proposed subsidy would not only help the small towns or the feeder lines, but would bring a great yield as a result of the placement of passengers at trunkline terminals. Fifty percent of the total number of passengers coming from beyond the small communities would go to the trunkline terminals—to New York, Los Angeles, and the highly profitable runs of the trunkline carriers.

The Senator is correct in saying that we should not write a death sentence for a service without giving the service a fair trial.

Mr. CURTIS. I thank the distinguished Senator. The Senator represents in part a very important State in the Union which has some fine metropolitan centers, but that State also has

areas that no doubt want and need air service and do not have it now.

In reference to the "use it or lose it" policy, does not the Senator agree that the only fair way to test that policy would be under circumstances in which the use of the service would fit in with the patterns of the local economy, the needs of the people, the commerce, and the mail, and with cost figures that would cover the use of smaller planes that might make the service successful?

Mr. MONRONEY. The Senator is absolutely correct. While we have had feeder line service for some 15 years or more, we have never put emphasis in aviation development on a feeder line plane as such, designed to serve this type of route schedule. I have been pleading for years for a DC-3 replacement. Two hundred and fifty of the approximate fleet of 300 planes of the feeder lines are still in the DC-3 category. The DC-3 is a great old bird. I respect, honor, and praise this very valuable backbone of aviation.

Let us remember, however, that the last DC-3 was built in 1946. There is quite a long time, from the standpoint of obsolescence, between the time that we built that plane and the time when we have been able to build a better plane that could more economically serve the route structure of the smaller towns on the feeder lines.

CAB and FAA cannot merely point a finger at these towns and say they are uncooperative or unappreciative, when for all these years very little has been done by either of these agencies to develop a replacement for the DC-3 which would have a lower operating cost and better facilities to serve this route structure, with an average distance of 90 miles between stops, without trying to find something else, instead of answering, "Use it or lose it."

That is the only answer we have had for a long time. It is decimating the route structure, which is now enjoyed by many of the States, which otherwise would be stripped of service with the exception of one or two communities in a particular State.

We should make the airplane useful as a national instrument of transportation. Our ingenuity, which has given us the ability to orbit Glenn and Carpenter and send them around the globe in 88 minutes should be capable, it seems to me, of providing a replacement for the DC-3.

Mr. CURTIS. Is it not true, with reference to the successful operation of feeder line service, that there must be service to enough communities so that travelers can make the entire trip by air? In other words, if they must drive half way and then fly half way, the simple economy of time would require them to drive the entire distance.

Mr. MONRONEY. The Senator is absolutely correct. There are many ways of reaching a solution, none of which has been developed. There is the regional airport, in connection with which three or four communities in a circle, none of which can maintain feeder service for itself, with the towns located about 10 miles apart, can locate

an airport in the neighborhood of three or four cities. In that way the time consumed in reaching such a regional airport would perhaps be even shorter than the time it would take to reach Dulles Airport from Washington. In that way it would be profitable to maintain a reasonable frequency of service on a scheduled basis.

Mr. CURTIS. Is it not correct to say that the original intent, as well as the present intent of Congress, with reference to airline subsidies, was for the purpose of establishing air transportation, rather than merely continuing it in places which have been the beneficiaries of the subsidy for many years?

Mr. MONRONEY. Certainly the idea of the feeder lines was to establish air transportation to the smaller communities, most of which had no other form of transportation except perhaps a bus route or two. Trains are no longer in service. There is no scheduled train travel between many of the smaller towns in my State and the State capital and the major cities of Oklahoma. Bus service is not as good as it once was. A person would have great trouble finding a scheduled trip if we were to eliminate the feeder line system.

Mr. CURTIS. The Senator from Oklahoma has mentioned something that I wish to have absolutely clear on the RECORD, and that is the frequency of the stops and the timing during the 24-hour day. The service must be better and frequent enough and adequate enough so that individuals can carry on their business completely with that service, or they will go to other forms of transportation, primarily their own cars.

Mr. MONRONEY. The car is the greatest competitor. Today airlines carry more intercity travelers than all the railroads and buslines in the United States combined. Only the automobile outdistances the airplane in transportation. It is a competitor, but it is an inconvenient mode of travel for someone who wishes to go to New York or Los Angeles or Chicago, for example, if he must leave his automobile at the airport after a 150- or 200-mile drive, and if he must park his car at the airport for a week, perhaps, while he is away. It should be possible to have joint connecting schedules.

I have said that 50 percent of the feeder line traffic connects with trunklines, for which they get no credit. The trunklines get the major part of the business, and the subsidy is charged entirely to the feeder lines, although they actually feed the major trunklines.

Mr. CURTIS. I again thank the distinguished Senator for his contribution to this discussion. I hope that the Civil Aeronautics Board will review its general policy in this field. As the distinguished Senator from Oklahoma has said, there has been no new effort to secure planes to fill the needs of this particular group of communities about which we have been talking, and there has been no policy on the part of the Civil Aeronautics Board to see to it that when they lay down the rule of "use it or lose it" with reference to airlines, they have laid down a pattern of operation

that makes it possible for the community to make use of it and to show what can be done.

It is entirely possible for the Civil Aeronautics Board, by some unwise decisions, to ruin air transportation at any given point. It is entirely possible, if we permit an airline to exploit its position, to try to scuttle service to smaller communities, and transform itself into a small trunkline. They can bring about that result because they drive away customers or potential customers. This is a problem that can be solved, but I do not believe it will be solved by the Civil Aeronautics Board saying, "We will not do anything with it."

I again thank the Senator from Oklahoma.

I yield the floor.

THE STRENGTH OF THE NATION'S ECONOMY

Mr. HUMPHREY. Mr. President, the Nation today has witnessed a number of attacks upon the administration because of what the opposition calls a lack of confidence on the part of business in this administration, and an inadequate economic program to sustain the recovery of our economy. I might add that when the word "recovery" is used, it indicates that there must have been something from which to recover. The point from which recovery has been made was the recession inherited by this administration in January 1961. Every thoughtful, soberminded, concerned, and patriotic American is disturbed by the developments on the stock market, even though earlier today there was some recovery in that market. The stock market plays a very significant role in the American business community, and all of us like to see that market healthy. We like to see it growing, and we like to see it sound.

It is a fact that the market has suffered some severe reverses and that the drop in stock prices has been serious and has caused great concern among the investing public. It is my purpose, in the moments I take today in the Senate, to cite some of the solid economic facts which I believe ought to give encouragement to the American people, to potential investors in American enterprise, to consumers, and to all other persons who have a vital stake in the health and prosperity of the American economy.

The American economy is healthy. The elements in the economy which lead me to that conclusion are obvious to anyone who wants to see the truth. Let us look at where we are, where we were, and where we may be going. What are the highlights of the current economic situation?

First, according to the President's Council of Economic Advisers, in its recent report, the gross national product of the United States rose from \$500.8 billion in the first quarter of 1961 to \$548.3 billion, or an increase of 9½ percent, in the four quarters since February 1961. I add that since February 1962, there has been a further increase, as was noted in the May 26 issue of *Busi-*

ness Week. That article reads as follows:

The economists seem a diverse group. Each has his own brand of rhetoric, a product of his training, his job, and his politics. Set these differences aside, though, and their analyses of business run very much alike. Almost to a man, the economists see gross national product rising from an annual rate of \$548 billion in the first quarter—

Which was the annual rate in February 1962, as compared with \$500.8 billion, the annual rate in the first quarter of 1961—

to \$570 billion, or a shade more in the fourth quarter—

Of the year 1962. To simplify that statement, in 2 years of the present administration, according to these economists, our economy will rise from a \$500 million gross national product to a \$570 billion economy. This is the prognostication of the economists consulted by *Business Week*. The fact is that as of this May, the economy is running at a rate of more than \$550 billion, which is a 10-percent increase over 16 months ago. It seems to me that this is basis for great confidence in the structure of America's economy.

Labor income from April 1961—that is, the end of the first quarter—to April 1962 rose from \$280 billion to \$309 billion, an increase of 10 percent.

Corporate profits before taxes increased about one-third, from \$39.6 billion to \$52.4 billion in the fourth quarter of 1961.

Preliminary data for the first quarter of 1962 suggest no significant rise. However, the *Wall Street Journal* on May 1, 1962, published an article which disclosed the following: The profits of 472 companies in the first quarter of 1962 rose 28.3 percent from those of the 1961 period. There were but 3 segments of American industry that had any drop at all. One was the cement industry, the second was the distilling industry, and the third was moving pictures and moving picture theaters. Other segments of the economy, such as autos and auto equipment, showed a profit increase of 123.7 percent; farm equipment, 32.9 percent; general food products, 46.2 percent; railway equipment, 153.1 percent.

The *Wall Street Journal* summarizes the situation in its own headlines.

Profits of 472 companies in first quarter rose 28.3 percent from those of 1961 period.

Mr. President, this is a factual statement of earned income on the part of American corporations. Industrial production has risen 15 percent from the first quarter of 1961 through the first quarter of 1962, and it is on its way up from there, as of May.

Payroll employment in nonagricultural establishments rose by 1.6 million new jobs. The number of persons unemployed declined by 20 percent, from 5 million to 4 million persons. The unemployment rate dropped from 6.9 percent to 5.5 percent of the labor force. While the unemployment rate was dropping almost a point and a half, an additional 1 million persons were added to the labor force because of population growth.

I remind the Senate that the administration inherited anything but a favorable situation in both employment and earnings.

With the growth in the economy that these figures show to be an indisputable fact, prices remained virtually stable. The industrial as well as the total wholesale price index declined slightly. The total index fell from 101.1 to 100.4, on a base of 100 for 1957 to 1959, which is the standard measuring point.

Consumer prices, which were mentioned this morning, or earlier today, by one of our Republican colleagues, rose about 1 percent, from 103.9 to 105, in a year, from the first quarter of 1961 through the first quarter of 1962, with most of the increase occurring in the service sector. The increase was not in commodities, not in goods, not in production, but in the service sector. One of the largest increases was in hospital and medical costs. Yet the very same critics of the administration stand firmly opposed to a program which would allow any reasonable system of Government assistance in paying hospital costs for those who can least afford to pay them.

What are some of the elements which we need to consider in the recovery. Let me recapitulate for just a moment.

From the first quarter of 1961 to date—gross national product is up more than \$50 billion at an annual rate.

We have had three recessions since the postwar period began, and during the recovery from all three of them the rate of improvement in the gross national product has been lower than in the present recovery.

Labor income—in other words, wages, to be spent in the marketplace—is up over \$30 billion in 1 year.

Profits are up over \$13 billion, or 32 percent, in 1 year.

Industrial production is up 15 percent in 1 year.

Unemployment is down—from 6.9 percent to 5.5 percent of the labor force, almost a 20 percent reduction in the actual number of unemployed.

Wholesale prices are lower than a year ago.

Consumer prices are up by 1.1 percent, due primarily to service charges; and the largest single increase was in medical costs.

I think another point which needs to be emphasized is that inflation, which for years was the bugaboo and the rallying cry of the political conservatives and of the Republicans, has been halted; in fact, it is now determined to be dead.

As I have said, the elements of recovery seem rather obvious to all who are willing to see.

Personal consumption expenditures—representing the amount spent by the public in the marketplace—have risen \$21 billion in a year—\$10 billion in services, \$6 billion in nondurable goods, and \$5 billion in durable goods. Automobile sales have accounted for most of the gains in consumer durables. They have been particularly strong, the Council of Economic Advisers reports, in March and April. Domestic automobile sales, at the seasonally adjusted annual

rate, have run about 7 million automobiles for the past 2 months, and automobile manufacturers predict one of their biggest years.

Durable goods purchases in the last two quarters have been around the 1959-60 levels, while disposable income is about 10 percent higher. This means that there is some 10 percent more income than there was in 1959-60, which had been pointed to as the alltime high—10 percent more disposable income that could be put into the market by purchasers.

The saving rate has stayed near 7 percent.

During 1961 consumers increased their holdings of liquid assets more than \$20 billion, while consumer debt rose by only \$1.5 billion. Mr. President, these are significant factors. When consumers can increase their savings by \$20 billion, and when installment debt in that year has increased only \$1.5 billion, that represents a net increase of \$18.5 billion of purchasing power over the average of a year ago, available to be spent in the market.

I repeat that consumer income after taxes is up 10 percent over the 1959 to 1960 period, which is latent purchasing power, ready to be used in the market place.

And more important, Mr. President, the recent consumers survey conducted by private and business organizations, as revealed in Business Week and in other publications, including Government documents, shows that in 1962 there will be more spending for durables.

I read now from page 29 of the magazine Business Week for May 26—only 3 days ago:

This week though, much of the uncertainty about where the economy is headed is disappearing, even though the stock market continued to make new lows. Inquiring among leading economists in business, Government, and the universities, Business Week finds a remarkable degree of agreement on the year immediately ahead. The consensus: The recovery will continue into the first half of 1963.

More important, there's unexpected but almost unanimous agreement on the way the economy will go through 1965—the watershed year in which the first of the great waves of war-time and postwar babies will be getting out of school and making a major impact on the economy.

The economy will keep climbing—in a stable and sustained upward movement without sharp dips. * * *

To a man, the economists seem a diverse group. Each has his own brand of rhetoric, a product of his training, his job, and his politics. Set these differences aside, though, and their analyses of business run very much alike. Almost to a man the economists see gross national product rising from an annual rate of \$548 billion in the first quarter to \$570 billion, or a shade more, in the fourth quarter. By the second quarter of next year, GNP should be running \$585 billion.

Mr. President, unless Business Week is grossly in error, I suggest there is no reason to feel that the elements for sustained economic recovery are not present, available, and at work.

Mr. DWORSHAK. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. Not until I complete this presentation; and then I shall

be more than happy to yield for inquiry, for discussion, or for other purposes.

Mr. President, let us now consider such elements as housing. Housing is now at the rate of a million and one-half units a year—the highest in 3 years, and one of the highest rates in the Nation's history.

Retail sales are up 3.2 percent since January, or a 13 percent rise in the annual rate.

Private investment for plant and equipment is up 10 percent over a year ago, and still going up; and the Bank of New York in its recent newsletter, dated April 23, says:

Even at its reduced rate for the first quarter, construction for the last 5 months has averaged close to a \$60 billion annual rate. * * * It does make one feel that construction will, at least for the balance of the year, be a supporting factor in the economy.

Mr. President, the Bank of New York is not engaged in partisan politics. It is engaged in straight investor economics; and a \$60 billion annual rate in construction is no sign of poor economic health. To the contrary, it is a sign of good economic health and a sign that our economy is moving ahead, as certainly it is. It seems to me that those who have been the agents and architects of standing still would think the economy was moving ahead at a terrific pace, since even a little forward should be dazzling to the prophets of yesterday and of the status quo.

Mr. President, a few other facts need to be brought out: Business-fixed investment, the total of producers' durable equipment, plus nonresidential construction, rose \$4.4 billion, or 10 percent, in four quarters. The rise in investment has lagged behind corporate cash flow.

I think one of the reasons why the rise in investment has lagged behind corporate cash flow is that this Congress has not as yet made its determination on tax policy. One of the contributions that Congress can make to a steadier stock market and a recovery in the stock market is for Congress to get off dead center on tax policy. We have responsibilities here other than merely to be carping critics.

The President of the United States has no authority today to adjust taxes. He has asked for such authority. He has asked for a tax program. There are two especially important features in that tax program: First, taxation on foreign investment; second, investment tax credit. They need to be resolved by this Congress one way or another.

I happen to support those features. I do not say these are the last word, but I do feel Congress has the duty to examine into our tax policy with the objective of setting tax rates so as to provide an incentive to American business.

Mr. MCCARTHY. Mr. President, will the Senator yield to me?

Mr. HUMPHREY. I said to the Senator from Idaho that I could not yield, and I do not want to violate the rule of equity here. I know my colleague wants to make a statement on tax policy, and I am not going to say any more on it, because he is on the Finance Committee and I think such a statement

would be better coming from one who has spent many years in the House and in the Senate studying this subject.

My comment is general. My comment is that we must have a tax policy, and not merely uncertainty. This cannot be accomplished by the President; it must be done by the Congress.

Mr. President, if there is any need to assure investors of the underlying strength of American corporations they should listen to this fact. The level of corporate cash flow for this past year, according to the rate of the first quarter of 1962 and the last quarter of 1961, was \$54 billion. This "cash flow" consists of after-tax profits and capital consumption allowances, and represents to a large degree, capital retained in the corporation for future business purposes.

The rise, therefore, in investment, while it has lagged behind corporate cash flow, can be stimulated by a proper tax policy. This Senator supports the investment credit feature. This Senator would support other tax adjustments. I think potential tax adjustments, such as personal and corporate income tax adjustments should be studied by the Congress immediately.

I understand a 2 percent cut in corporate income tax would result in approximately a \$1 billion immediate cash injection into the economy.

A 2 percent cut in individual income taxes would provide another \$4 billion. That would represent a \$5 billion injection of capital into the economy. Add to that the investment tax credit, and we have an economic incentive that will overcome almost any obstruction to capital improvement and economic recovery.

Improved operating rates have stimulated investment, but it is a fact, according to the Council of Economic Advisers, that excess capacity remains a drag on capital spending. Therefore, consumer income is very important.

I have mentioned the growth in consumer income.

Total manufacturing and trade inventories at the end of March 1962, were \$3.6 billion, or 3.8 percent above their level in February 1961, but sales increased faster than inventory, by 10.2 percent over the same period of last year.

It seems to me this is a factor that would lend itself to investment confidence.

The ticker tape just handed me states that the market has started back up. I think the American people need to take a good look at their economic family. When one takes a look at the economic life, structure, and family of this country, what does he find? The greatest skilled labor force in the world. Billions of dollars of capital for investment. A high productive mechanism of industrial capacity.

As I have said about this matter on other days, we find profits are up, employment is up, agricultural income is up, unemployment is down, prices are stable, investment is up, savings are up; and yet there are Members of the Senate and the lay public saying the economy is in dire trouble.

I am no expert on the stock market, but I have been told that stocks have been overpriced in relation to earnings; and that when stocks are priced at 40 and 50 times earnings, their prices are too high.

I know the bond market is good. I know the mortgage market is good. I know the dollar is sound. I know that, with all those factors, this country is economically strong—unless some people are determined to spread fear and panic throughout the Nation.

I call upon the industrial and financial leaders of this country to exercise their leadership and their statesmanship and to reassume once again their supremacy in the field of finance, business, and production, by stabilizing this market and by expanding our production and by improving our economic well-being.

Mr. SYMINGTON. Madam President, will the Senator yield for a statement on this subject?

Mr. HUMPHREY. Will the Senator permit me one moment? I had to decline yielding to two other Senators. I will be only a moment, and shall be happy to yield then.

The PRESIDING OFFICER (Mrs. NEUBERGER in the chair.) The Senator declines to yield at this time.

Mr. HUMPHREY. Madam President I mentioned housing earlier. Housing was strong through 1961, with residential activity expanding, according to the Council of Economic Advisers, by \$3.7 billion, or 19 percent from the first to the fourth quarter.

Permits continue in an upward trend. The studies show that housing and commercial construction are in a healthy state. As I said earlier, there were over a million and a half housing starts.

What about Government activities? My colleagues, or some of my colleagues, like to say that the Federal debt is a great deterrent to faith in this economy. It is an interesting and paradoxical situation that the very same people who are complaining about the debt and about deficit financing are the same ones who say the Government ought to do something.

It takes more than words to do something. Even words from the President will not be enough if there is trouble in the economy. Herbert Hoover gave all kinds of speeches about the health of the economy at that time, but he did not have the facts. What are important are the facts of economic viability and of economic strength.

I wish there were as much concern in this body over the more than 4 million unemployed in this country as there is over the drop in stock market prices. Both are serious, but we have had unemployment as an inheritance from the previous administration. We have liquidated some of it, and unemployment has dropped from 6.9 percent of the labor force to 5.5 percent, a 20 percent drop in the total number of unemployed.

I wish to say that I did not notice too many of my colleagues on the other side of the aisle voting for the public works bill, which should help stimulate the economy. I did not hear very many speeches about the agony of the unemployed. It seems to me concern over the

economy should be not only in the capital market but also in the employment market. There should be concern as to both sectors.

Next is the Federal Government debt as a percent of gross national product. In fiscal year 1946 it was 103 percent of gross national product. In fiscal year 1961 the Federal Government debt was 40 percent of the gross national product.

On a per capita basis, in fiscal year 1946 the per capita portion of the public debt owed was \$1,535. In 1961, it was \$1,121. That is a drop of 27 percent. Anyone who can run a peanut stand knows that that kind of a drop in per capita indebtedness is an important factor.

What about the public and private debt? I speak of net debt. The Federal debt has increased from 1946 to 1961. It has gone up 8 percent. State and local indebtedness has gone up 378 percent. Private indebtedness—the debts people owe on mortgages, for consumers' goods, and for durable goods—has gone up 305 percent.

I point out that the public sector, at the Federal Government level, has had a modest increase, and in fact the smallest increase by far.

The Government can make a real contribution toward recovery, and it is doing so. Federal purchases of goods and services rose at an annual rate of \$6.8 billion in the fourth quarter, with \$5.6 billion of the increase in national defense. The Council of Economic Advisers tells us that other Federal outlays—such as transfers, interest, and so forth—expanded more than \$3.1 billion over the period on a national income accounts basis.

As the economic activity strengthened, Federal receipts increased an amount equivalent to \$10.7 billion at an annual rate from the first to the fourth quarter of 1961.

In the first quarter of 1962, another \$2½ billion was added. As a result, the income-and-product deficit narrowed from \$5.5 billion, at an annual rate, in the first quarter of 1961 to \$2 billion in the fourth quarter. The figure for the first quarter of 1962, according to the Council of Economic Advisers, also appears to be about \$2 billion.

State and local purchases have increased \$4 billion in the past four quarters.

The money supply, excluding time deposits, rose \$4½ billion, or 3.2 percent, from February 1961 to April 1962. Including time deposits, the increase was \$19 billion, or nearly 9 percent.

Bank loans increased \$9.3 billion, or 8 percent, from April 1961 to April 1962. Bank loans are related to the health of the economy. When banks loan money, they have faith in the impetus and forward movement of the economy.

Long-term interest rates have been usually stable for a period of economic recovery. The yield on Government bonds currently is about the same as it was in February 1961. The yields on new corporate and municipal issues are at the lowest point since 1958. This means that money has gone into goods and services, where profits have been good.

Madam President, I have just been handed another ticker tape. I read from the ticker as follows:

Signs of recovery started popping up shortly after noon and gained momentum as the day wore on.

Late this afternoon badly battered International Business Machines held a \$26 gain for the day. American Telephone turned a \$2.12 loss into a \$6.37 advance. Du Pont added \$7.50, Polaroid \$4.50, Sears Roebuck \$4.12, and Jersey Standard \$4.62.

The Dow Jones industrial average had pared its earlier loss by 2 p.m. but still was far in the hole for the day.

Bargain hunters appeared to have started buying the badly depressed blue chips.

Trading volume soared to record heights and the ticker tape fell 96 minutes behind transactions.

Madam President, the people who understand the market, the people with the money rather than the people who are only "fooling around" and speculating, know the American economy is good. They are not ready to sell it out. They are not ready to panic.

What this Senate ought to be telling every investor in America is that America is strong in every way; politically, economically, morally and militarily. What we need are captains of industry and finance, along with the political leaders of both political parties, who will not only assure the American people by word but also by deed—buying into the market, strengthening that market, expanding production, improving consumption.

Madam President, I repeat that Congress can do its share. The tax bill can be passed. The foreign trade bill can be passed. We can give to our American business community the assurance that it needs, to march ahead with favorable tax policies, with favorable foreign trade policies, with guarantees on investment such as export credit guarantees.

The Senate passed a farm bill which will help the farm economy, if the bill becomes law. It will help the entire farm equipment and farm supply sector of the American economy.

If we can maintain the wage and price line in this country, construction will boom.

I repeat: The money is available. The capital is available. The savings have been made. These are indisputable facts.

It seems to me that what we need is not merely a word from the White House, even though we have a President of the United States whose family and life have been associated as closely with our economy as those of any family or person in the world—a President who has been looked upon as a friend of the free enterprise system—but also what we need is some action in Congress. We must pass the tax bill. We should give investment an incentive. We should start collecting taxes in the places where they ought to be collected. If need be, we should reduce taxes. All that action would be of some help.

Proposals have been presented by the administration as defenses against future recessions. The present administration and previous Democratic administrations have built in a number of safeguards for the economy. That is recognized by every objective observer.

We have social security, unemployment compensation, the regulation of the credit structure and the Federal Reserve System, to mention only a few, which are built-in safeguards and protections for a strong economy.

The President has asked for standby authority to permit income tax reductions. If he had such authority today, it might have been a little helpful. But whether or not we give the President that power, the Congress needs to assure the country as to a tax policy and not leave it in limbo.

The President has asked for a capital improvement program. The Senate passed the measure without much help from the sharpest critics of the administration.

The President has asked the Congress to cut down some of the costs of the farm program. We have passed a measure to do so.

The President has asked for a measure to improve farm income. We have given him that, without very much help from our friends on the Republican side of the aisle.

The President has asked for a strengthening of the unemployment compensation system. That, too, is our responsibility.

We passed the Manpower Development and Training Act. We are now training workers and they are being reemployed.

I repeat that the 1962 tax bill calls for a 7-percent tax credit on machinery and equipment outlays. The measure was passed in the House under Democratic leadership. Our Republican friends voted almost to a man against the measure. We need to pass it here.

Madam President, the Treasury's revision of the depreciation guidelines will add an estimated \$1¼ billion to the corporate cash flow in 1962.

That is like new money in the corporate till. The revision will incorporate available current information on the economic life of capital goods and the effects of technical changes on obsolescence.

I submit that that is a rather formidable record. If we add to that record the housing program, improvements in social security, the minimum wage law improvement, and a host of other activities on the part of our Government, it is fair to say that no one entrusted with responsibility for the direction of the affairs of state has been asleep at the switch.

Madam President, I ask unanimous consent that the article in the Wall Street Journal of Tuesday, May 1, to which I referred, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

Profits of 472 companies in 1st quarter rose 28.3 percent from those of 1961 period

[The columns below show earnings for the 1st quarter of 1962 as compared with those of 1961, with percentage increases or declines by groups from 1960. Where individual company reports cover 3-month periods other than calendar quarters, the nearest comparable periods have been used.]

Company	Number	1st quarter, 1962	1st quarter, 1961	Change from year ago
				Percent
Aircraft makers.....	9	\$19,858,000	\$16,472,000	+20.6
Airlines.....	4	18,399,000	11,294,000	-----
Autos and equipment.....	18	408,660,000	182,660,000	+123.7
Building materials.....	18	21,093,000	16,551,000	+27.4
Building supplies.....	13	18,282,000	13,184,000	+38.7
Cement companies.....	5	2,811,000	3,367,000	-16.5
Chain grocers.....	7	18,442,000	18,324,000	+6
Chemicals.....	26	243,212,000	208,038,000	+16.9
Department stores.....	14	124,037,000	102,962,000	+20.5
Distillers.....	7	17,543,000	18,498,000	-5.2
Drug manufacturers.....	11	33,561,000	30,467,000	+10.2
Electrical equipment, electronics.....	24	95,505,000	73,667,000	+29.6
Broad-line companies.....	8	82,517,000	61,211,000	+34.8
Specialty companies.....	16	12,988,000	12,456,000	+4.3
Farm equipment.....	7	25,565,000	19,238,000	+32.9
Finance companies.....	7	15,930,000	15,297,000	+4.1
Food products.....	12	46,338,000	36,760,000	+26.1
Bakery products.....	3	6,998,000	6,100,000	+14.7
Dairy products.....	3	19,003,000	16,751,000	+13.4
General food products.....	6	20,337,000	13,909,000	+46.2
Mining and metals.....	15	56,331,000	38,950,000	+44.6
Aluminum companies.....	3	29,388,000	17,061,000	+72.3
Copper and other metals.....	12	26,943,000	21,889,000	+23.1
Movies and movie theaters.....	7	6,147,000	11,063,000	-44.4
Office equipment.....	14	65,394,000	52,993,000	+23.4
Petroleum products.....	13	517,348,000	514,460,000	+6
Publishing companies.....	6	5,200,000	4,108,000	+26.6
Pulp and paper products.....	19	50,922,000	46,185,000	+10.3
Railway equipment.....	9	10,608,000	4,191,000	+153.1
Rubber companies.....	8	27,376,000	23,733,000	+15.3
Steel manufacturers.....	17	114,637,000	52,894,000	+116.7
Textiles.....	10	19,770,000	10,160,000	+94.6
Tobacco.....	6	54,692,000	53,777,000	+1.7
Tools and machinery.....	29	32,690,000	26,724,000	+22.3
Other industrials.....	112	222,390,000	175,641,000	+26.6
Total industrials.....	429	2,234,850,000	1,742,519,000	+28.3
Railroads.....	20	23,691,000	5,251,000	-----
Utilities.....	23	208,958,000	185,752,000	+12.5
Total concerns.....	472	2,467,499,000	1,923,020,000	+28.3

Mr. HUMPHREY. Madam President, I have read into the RECORD quotations from Business Week. I suggest that the article would be good reading for the prophets of doom and gloom and the new disciples of decline and defeat. I happen to be one of those who believe in the economic strength of our country. I have a great deal of faith in industry, our labor force, and capital. I do not think our country will be sold short by Government or private individuals. The fate of the world rests with this country.

I am confident that in a very short time those who take an objective look at the investment field, corporate issues, corporate bonds, and other investment opportunities, will demonstrate their faith and their confidence in our great economic structure by buying-in again, by taking advantage of the bargain-counter prices, by new investment, new capital improvement, stepped-up sales program, stepped-up export sales program, expanded commercial and housing construction, and a vast program of public improvement across the country, including highways, airports, hospitals, schools, public buildings, and a host of other projects and activities.

Madam President, yesterday a production known as the "Ev and Charlie Show"—a press conference by the minority leaders of the Senate and the House—told the Nation that President Kennedy's performance has lagged far behind his promises for progress.

I want to set the record straight. Here it is:

First. The economy.

The charges: The average rate of unemployment under Eisenhower in 1960 was 5.6 percent. Under Kennedy it has averaged above 6 percent since he took office. Business failures increased 11 percent in 1961 under Kennedy compared to 1960 under Eisenhower, while mortgage foreclosures were up 40 percent, the biggest 1-year increase since the depression year 1932.

The facts: The Kennedy administration inherited an unemployment rate which had climbed nearly two points to a level of 6.7 and reached its peak at 7.0 in May of 1961. Since then, the trend has been downward, the unemployment rolls have been cut by 1 million or 20 percent and the latest reading is 5.5 percent, compared to the 6.7 percent, the Democratic administration inherited. The business failure rate is not a reliable index, inasmuch as it is usually highest in States where prosperity stimulates the most new business—and the rate was twice as high in Eisenhower's last year as in Truman's. Mortgage foreclosures reflect the income squeeze of the recession bequeathed by Eisenhower and the ending of the inflationary spiral.

Second. Interest rates.

The charges: Not a single category of interest rates has been reduced.

The facts: False. Those interest rates that most vitally affect business plant and equipment outlays, State and local governmental projects, and homebuilding have all come down. First, new issues of high-grade corporate bonds are now yielding 4.08 percent, down from 4.35 in January 1961. Second, high-grade State and local bonds are yielding

3.15 percent down from 3.44 percent as of January 1961. Third, the effective yield on FHA mortgages is now 5.65 percent, down from 6 percent in January 1961. This is the first economic recovery of the postwar period in which a general rise in interest rates has not occurred.

Third. On the budget.

The charges: Kennedy has had two successive deficits, with a third in prospect; and has boosted Government costs to the highest point in peacetime history.

The facts: President Kennedy inherited Eisenhower's fiscal 1961 budget, which was in fact already in deficit; he held the fiscal 1962 budget deficit to a level far below Eisenhower's \$12.4 billion deficit in fiscal 1959, a peacetime record which reflected the previous recession—and he submitted a balanced budget for fiscal 1963. Although the fiscal 1962 deficit was not surprising in view of the effects of the recession on expenditures and revenues, almost two-thirds of this administration's additions were for national security and space—and had there been full employment, there would have been no deficit at all. The national debt is a smaller portion of our gross national product now than it was in 1960—and the Republicans may be merely trying to conceal the fact that they left five deficits in 8 years, added \$23 billion to the national debt, and spent \$182 billion more in their 8 fiscal years than Truman did in the preceding 8 years. That is one record my Republican friends can claim without contradiction.

Fourth. On agriculture.

The charges: Farm costs rose instead of being cut; farm parity fell to 79 percent; and no price support has been raised to 90 percent of parity.

The facts: After the Republicans had built up our surplus from \$2.5 billion to \$9 billion in 8 years, the emergency wheat and feed grain programs, proposed by the President and enacted in 1961, achieved the first meaningful reduction in surplus stocks since 1952—and resulted in long-term savings of several hundred million dollars. The President also promised to move farm income toward parity of income with other segments of the population—and in his first year reversed the trend to boost net farm income by \$1 billion to the highest point in 8 years.

Fifth. Civil rights.

The charges: Kennedy has not even requested civil rights legislation or issued an Executive order ending racial discrimination in Federally assisted housing.

The facts: Legislation to extend the Civil Rights Commission was requested and enacted last year; legislation to provide for a constitutional amendment outlawing the poll tax was requested and is near enactment this year; and legislation to prevent literacy tests from discriminating against Negro voters was defeated by filibuster which would have been shut off had all Republicans supported cloture; and may I add, all Democratic Senators also. Aware of these legislative difficulties, the Kennedy administration has accomplished far more

than its predecessor through administrative action—through lawsuits to compel voter registration, through negotiations on the successful integration of schools, through increased employment by Federal agencies and Federal contractors, and through action to end segregation in bus, airline and train terminals. The President has promised to issue the Executive order on housing at the optimum time.

Sixth. Reclamation.

The charge: Kennedy failed to produce new reclamation starts.

The facts: False. This Congress has voted the first construction appropriations for nine projects in Idaho, Kansas, Oklahoma, Utah, Texas, Oregon—two, and California—two new features in a large existing project; three other new starts are included in the Kennedy budget for fiscal 1963 in Kansas, South Dakota, and Colorado; and five other major projects recommended in his conservation message—such as Frying Pan-Arkansas—are contained in separate bills favorably recommended to the Congress.

Seventh. Forestry.

The charge: Kennedy failed to come up with a "fresh and imaginative program" for the timber industry which he pledged.

The facts: The administration sent to the Congress last September a comprehensive new development program to cover 186 million acres of national forests and grasslands, emphasizing, first, substantially broadened and intensified recreation resource management, second, acceleration of timber harvesting and management, third, adjustment of the road and trail program to provide needed multiple-purpose roads, and, fourth, acquisition of needed tracts within national forest boundaries, especially those having recreational value.

Eighth. On strategic power.

The charges: The President has asked Congress to kill rather than support the B-70 superbomber program.

The facts: While continuing the development of a three prototype B-70 program and studying the most useful components leading toward a RS-70 system without wasting taxpayers' funds, the President has stepped up our acquisition rate of Polaris submarines and Minuteman missiles—increased by 50 percent the number of manned bombers standing ready on 15 minutes' alert—and expanded Skybolt missiles program which will enable manned bombers to penetrate enemy territory more effectively than the B-70.

Madam President, this Senator does not intend to have the administration made the whipping boy for political purposes by our Republican friends. I have sat here day after day and heard the opposition while talking about bipartisan cooperation with a popular President, launch this attack. Madam President, they cannot have it both ways. If they want to be photographed with a popular President, and if they want to stand alongside a popular, respected President, and merely act as if they disagreed only on some minor details, they had better start voting that way, and stop the attacks.

If our Republican friends want a full-scale partisan battle on the record of the Kennedy administration, there are Senators who are prepared to give it to them.

It is true, of course, that no administration has a record that could be called perfect. As we face political realities, however, it cannot be denied that the Kennedy administration has done a good job indeed. The American people know he has done a good job. His acceptance by the American people is almost unprecedented. They know that he gives himself wholeheartedly to his work. If he had done nothing but act as the head of state, receiving people from abroad, encouraging closer cooperation among our allies, strengthening our national security, proposed new ways and means of increasing the economic strength of the United States and of our allies—had he done nothing more than that, which would be a monumental task within itself, he would certainly deserve the plaudits and the praise of thoughtful and fairminded Americans.

Madam President, I have no doubt that the overwhelming majority of all Americans appreciate what the President and his administration are doing. The American people know full well that no administration can do everything. Nevertheless, they look upon President Kennedy as one who tries, as one who works, as one who proposes, as one who offers proposals and suggestions and answers to our current predicaments.

Mr. DWORSHAK. Madam President, will the Senator yield?

Mr. HUMPHREY. I am very happy to yield to my very patient good friend from Idaho.

Mr. DWORSHAK. I assure the Senator that, being the only Senator on the floor, aside from the Senator from Minnesota and the Presiding Officer, I have demonstrated my willingness to listen to a speech of 1 hour on the state of the Union. I commend the Senator from Minnesota, the assistant majority leader, for a very persuasive presentation on what he considers to be the economic situation facing our country today.

Will the Senator give me some assurance that he will arrange to have some reprints of his speech today prepared, so that they may be mailed to many millions of small investors who have lost billions of dollars since the first of this year, and so that they may have the same exuberance and the same inspiration and the same confidence and the same blind devotion and the same loyalty to the President the Senator from Minnesota has? Will the Senator arrange through the National Democratic Committee to get millions of copies of his speech reprinted?

Mr. HUMPHREY. If the Senator thinks it is that good, I would be willing to let the Republican National Committee share in the cost involved. I did not realize I was doing so well.

Mr. DWORSHAK. I am sure the Republicans will want to contribute to the cost of reprinting the speech.

Mr. HUMPHREY. Is that a pledge? Is the Senator making a pledge or just another Republican promise?

Mr. DWORSHAK. I would probably make a contribution myself. The Senator knows that I do not hold a position of leadership on this side of the aisle. However, I have such profound affection and respect for the Senator from Minnesota that I have stayed in the Chamber all afternoon.

Mr. HUMPHREY. The Senator is most considerate. Would the Senator let me reply, before he continues? I would like very much to mail out my speech. I appreciate the offer that has been made by my friend on the Republican side of the aisle. I will show the Senator how fair I am willing to be. I would like to include in the reprinting of speeches the funeral sermons which the Republicans delivered this afternoon.

I would like to include some of the sad-eyed, tearful remarks that came from the Republican side of the aisle, telling the American people that the United States has gone to the dogs.

I am of the opinion that some very good Republican financiers are eyeing the market now and wondering when they can buy into it again, so that they will be able to make a very heavy contribution to the Republican National Committee.

Mr. DWORSHAK. Of course, press representatives are present in the gallery of the Senate, who were listening to the speeches which were made by the Republicans, and which were not as optimistic as the speech of the Senator from Minnesota. I am sure the Senator will receive full coverage also.

Mr. HUMPHREY. I hope so. I encourage my friends of the press to see that that will happen. I know they will see to it. They always appreciate these gems of truth.

Mr. DWORSHAK. The Senator can be most persuasive and influential in solidifying and coordinating public thinking within the country. I wonder if the Senator has any influence through his farflung connections in Western Europe. I should like to call his attention to a dispatch which appears on the ticker this afternoon. It is a UPI dispatch, and reads as follows:

LONDON.—Stock prices crashed again all over Europe today in sympathy with Wall Street's continuing toboggan run.

Industrials were down 16.7 points on the London exchange at the close, the biggest drop since the Financial Times average was established in 1935. It was a steeper decline than the one following Britain's Suez crisis.

Mr. HUMPHREY. I ask the Senator from Idaho to keep reading, to keep reading.

Mr. DWORSHAK. I continue to read:

The Amsterdam market saw drops of 60 points in international stocks, but Dutch bought with the selling orders from Americans, Swiss and Germans.

The Zurich market leveled off as investors picked up bargains; even so, final losses for the day on blue chip shares were 10 to 15 percent.

The Milan Stock Exchange had its worst session in 18 months, with stocks losing about 10 percent of their value.

Because the French economy has been booming, the Paris Bourse was less nervous than other European markets but losses there ran from 3 to 8 percent of values.

Frankfurt had losses up to 100 points but most were between 20 and 40.

Mr. HUMPHREY. What was the hour of that dispatch?

Mr. DWORSHAK. I think it was about—

Mr. HUMPHREY. It is typed on the sheet.

Mr. DWORSHAK. It is a foreign dispatch; the Senator can read it. It was received about 3 o'clock this afternoon.

Mr. HUMPHREY. I observe that no time is printed on the slip. We will assume it was about 3 o'clock. But I will give the Senator some reassurance. The news at 3:48 p.m.—

Mr. DWORSHAK. Madam President, will the Senator from Minnesota yield?

Mr. HUMPHREY. Would not the Senator like to have some reassurance? He looks so sad. [Laughter.]

Mr. DWORSHAK. All I am trying to do is to encourage or stimulate the Senator from Minnesota into making an international speech, one which will inspire people abroad and give them renewed faith and confidence in all the industrial and financial markets.

Mr. HUMPHREY. Would the Senator like to have my speech distributed internationally?

Mr. DWORSHAK. That is correct; not only in this country, but also abroad. The Senator from Minnesota on many occasions has made some pertinent observations, as he did a few minutes ago, about the soundness of the American dollar. He has indicated that the United States has lost almost half a billion worth of gold dollars in the first 5 months of the calendar year 1962. I should like to have the Senator's reaction to what might happen to the soundness of the American dollar if the people who own \$25 billion of American securities and are obviously unloading them in Western Europe should demand payment in gold dollars at a time when we have only \$4,500 million of gold available to take care of the many billions of dollars of credits abroad. What does the Senator think might happen to the economy of Western Europe and to the prestige and integrity of the American dollar, not only in Wall Street, but throughout the country? Does the Senator believe that Congress and the New Frontier administration can use magic, which it is attempting to use, to allay the fears and apprehensions of people who recognize that we are going down, down, and down, notwithstanding the assurances and reassurances which the Senator gives us in the form of statistical information concerning the economy of the country?

Mr. HUMPHREY. While the Senator from Idaho may think the American dollar is in trouble, not very many other people who are in the investment business think so. They like the American dollar. I remember that only a few years ago we were being told that the American dollar was not so good as the Canadian dollar. Now the American dollar is a prized thing on the market. The investors of Switzerland and Holland are very sharp and shrewd. I noticed, according to the dispatch the Senator from Idaho read so hastily, that they were buying in the market. Some people may have been selling.

Mr. DWORSHAK. They were "selling orders from Americans, Swiss, and Germans."

Mr. HUMPHREY. Yes; keep reading. Mr. DWORSHAK. A period follows that statement.

Mr. HUMPHREY. The Senator would be interested to know, since he was quoting from market reports, that markets come and go. The latest report I have, which is timed at 3:28 p.m., reads:

Stock market stages apparent recovery with trading extremely heavy. Ticker tapes more than 2 hours behind floor transactions in late afternoon.

Here is a dispatch at 3:50 p.m., 22 minutes later:

A flood of buying reversed a selling stampede and sent the stock market into a sharp rally late this afternoon.

Many analysts have been predicting that a rebound would come after a tremendous sell-off such as yesterday's volume of 9.35 million shares.

Another paragraph reads:

A mass of bargain hunters are sending in orders to buy collapsed stocks.

The psychology of yesterday—get out at any price—has reversed itself today.

I shall not get into the game of seeing who can read the most press releases from the news ticker. I know the Senator from Idaho will not disagree with me for a moment that this country is strong economically.

Mr. DWORSHAK. It has been.

Mr. HUMPHREY. It is strong economically, politically, and militarily. The Senator would not disagree with me that the main rush, the main flow of the gold rush, started under the Eisenhower administration. I think he remembers that. I think he knows that the rate of gold outflow has slowed down to less than it has been in the past year.

Mr. DWORSHAK. That is not true. It is almost—

Mr. HUMPHREY. I do not care whether it is almost half a billion dollars lower now or not; the rate of outflow is slower than it has been in 4 years. How much it has been is not the question. The fact is that the rate of outflow has been slowed down. With but a little co-operation from our recalcitrant brethren on the other side of the aisle, we could do even more.

Mr. DWORSHAK. Madam President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I do not want to join the chorus of the pixies and the chorus of those who stand on the political fence and shout words of doom and disaster. I believe this country is basically economically strong. I do not believe the stock market is going to be the end of A.T. & T., International Business Machines, or Standard Oil of New Jersey. I believe, considering the fantastic reserves of capital, the consumer market, the increased consumer purchasing power, and the demands for durable and nondurable goods, anybody who has any sense will buy back into the market.

Oh, how I wish I had something with which to buy back in. I wish to goodness it was my good fortune to do so, because I am of the opinion that many a good honest dollar will be made in the very next few days.

At the first opportunity, if he has any little thing, and rather than to contribute my reprint, why does not the Senator from Idaho buy into the market? We will divide the profits. [Laughter.]

Mr. DWORSHAK. I certainly share the hope of the Senator from Minnesota that there will be a complete recovery in the financial markets; that there will be greater stability in our economy, because a sick psychology is more devastating and insidious than is factual data like those presented today by the Senator from Minnesota.

Mr. HUMPHREY. Will the Senator from Idaho join with me and with Dr. Norman Vincent Peale and think positively?

Mr. DWORSHAK. I have tried to do that all the time, but it is difficult to do so when I listen to all the speeches which have been made on this subject.

Mr. HUMPHREY. I know it must be difficult. I feel for Senators on the other side of the aisle, who listen to their own words of despair and trouble.

Why does not the Senator from Idaho come over to this side of the aisle, where we will give him some encouragement? Then he can think positively and can have the glow of opportunity and optimism upon his countenance? We will welcome him.

Mr. DWORSHAK. There are already too many Senators on the other side of the aisle.

Mr. HUMPHREY. We will be delighted to have the Senator from Idaho come over here.

Mr. McCARTHY. Madam President, will my colleague yield?

Mr. HUMPHREY. I yield.

Mr. McCARTHY. I commend the senior Senator from Minnesota for having made so attractive a case, after we have listened to the prophecies of gloom that have come from the Republican side for the last several days, usually from about 4 o'clock until 6 o'clock in the afternoon. They took the floor after the farm bill was passed and prophesied with gloom. After the passage of the public works bill, which we thought was a good bill, they again prophesied with gloom. Of course, none of us is quite satisfied with the economy.

Mr. HUMPHREY. It can always be improved.

Mr. McCARTHY. But we know it is moving forward. We would like to see it move forward somewhat more effectively. But our friends on the other side of the aisle always prophesy on the gloomy side. They want to recess the Senate for a few days, because they think that might dispel the gloom. Certainly the people out in the country would not then hear the Republican prophecies of doom and might not become so depressed.

There is nothing objectively wrong with the total economy. According to the indicators, the economy is on the way up.

Mr. HUMPHREY. The Senator from Idaho said the statistics are sound; the facts are all right. It must be his conclusions that are wrong.

Mr. DWORSHAK. They are not my conclusions; they are the conclusions of

millions of Americans who have no confidence in the New Frontier administration.

Mr. McCARTHY. One prophecy the Democrats did not make in 1960, and one promise the Democratic candidate for President did not make, was to keep the stock market going up. He promised to try to reduce unemployment; to increase the gross national product; to improve farm income. On all those points, he has delivered.

However, the President is not satisfied, and I am not satisfied. All of us would like to see something more effective done. Almost every day the President presents a new proposal to make the economy more effective.

But what do we hear from the other side of the aisle? Opposition to every program. No matter how good things are, we can always hear a whispering sound from them. It does not make any difference how helpful the effort is; there is always a whisper of suspicion and fear from the other side of the aisle. Even when they are in power, they are unhappy. It is a strange thing about the Republicans: When they are in office, they are unhappy. Their slogan is to get government out of business, but actually they try to get government out of government.

I commend the Senator from Minnesota and would like to add for the RECORD two or three rather significant commentaries published today.

Mr. HUMPHREY. Will the Senator permit me to yield the floor to him? I retained the floor a while ago when the Senator wished me to yield to him.

Mr. DWORSHAK. Madam President, will the Senator from Minnesota yield for one more question?

Mr. HUMPHREY. Yes; I yield first to the Senator from Idaho.

Mr. DWORSHAK. A UPI dispatch dated 9:08 a.m. quotes some of the Democratic congressional leaders, including the Senator from Minnesota, who allegedly said, "It looks like somebody is tampering with the business thermometer." Can the Senator from Minnesota tell us who the "somebody" is?

Mr. HUMPHREY. No. I said "It looks like." If I knew, I would have said so right then.

Mr. DWORSHAK. The Senator from Minnesota has no idea who the "somebody" is?

Mr. HUMPHREY. No; so I would not wish to point an accusing finger.

However, when profits are up, employment is up, construction is up, savings are up, commercial activity is up, and the wholesale price index is higher, I think those are rather good signs, and I think they indicate that ours is a rather good country.

Mr. DWORSHAK. When that happens, the Senator from Minnesota gives the President all the credit; but when prices on the stock market are going down, down, down, the Senator from Minnesota says, "Somebody is tampering with the business thermometer," but he does not say who the "somebody" is.

Mr. HUMPHREY. No. But I think the President is getting his fair share of the blame—so much so, that those

of us on this side of the aisle see no reason to heap the coals upon him.

But the President is not running the stock market—although when prices on the stock market fall, some persons want the President to run right in.

Let me say that I believe that every voice and every act of the Government should contribute to economic growth and to progress and to confidence in the American economy; and I believe that is what we are required to do in our positions as public officials. I also think it would be the best policy for private citizens.

Madam President, I have another brief item to read, and I believe it will be helpful to the Senator from Idaho. It is from the news ticker, and reads as follows:

NEW YORK.—Bellwether blue chip stocks broke through the market slump on Wall Street and rallied today in trading so heavy brokers on the New York Stock Exchange floor broke into cheers.

Prices had dropped again this morning in early trading but flash prices during the afternoon showed major issues suddenly moving well above their levels yesterday when the market suffered its sharpest drop since 1929.

Investors and traders at the exchanges and brokerage houses, some too busy to answer telephones, watched in amazement as the trading volume climbed hourly. When the tape fell nearly 2 hours behind, traders on the New York Stock Exchange floor cheered.

At 2 p.m., the volume on the New York Stock Exchange was 6,400,000 shares against 4,310,000 at the same hour yesterday. The American Stock Exchange said at 2 p.m. they had a near record 4,030,000 shares.

The tape at 3 p.m. was about an hour and 57 minutes late. The flash prices showed about like this: United States Steel, up 2½; Bethlehem, up 2¾; General Motors, up 1¼; IBM, once up 21 points, up around 11; Jersey Standard, up 4½.

Madam President, I call attention to the statement, on the news ticker, that "brokers on the New York Stock Exchange floor broke into cheers."

Madam President, may I pause for a moment? What a wonderful thought and what a beautiful expression. I want my Republican friends to note this.

Mr. DWORSHAK. Madam President, if the Senator from Minnesota will yield, let me say I am sure the operators on Wall Street must have heard by remote control of the speech the Senator from Minnesota made here today, which inspired them.

Mr. HUMPHREY. Does the Senator from Idaho really think so?

Mr. DWORSHAK. I am sure of it. [Laughter.]

Mr. HUMPHREY. Madam President, I think this is the finest tribute I have received since I have been in public life. I can honestly say, Madam President, that there have been times when farm audiences and labor audiences and some business audiences have cheered my remarks, but never until now have I been cheered in the New York Stock Exchange. [Laughter.]

But I want the RECORD to show clearly that I have the testimony of the Senator from Idaho that it was the speech I made here this afternoon which caused the stock market to rally and gave the

traders and operators on the stock market that moment of release from their sorrow and that feeling of optimism, which manifested itself in an outburst of cheers.

So I thank the Senator from Idaho. This will be very good news, and I hope the local press in Minnesota report it. [Laughter.]

Mr. McCARTHY. Madam President, I think we should take the Senator from Minnesota to New York and should tender him a ticker-tape parade there. He is most deserving.

Mr. GORE. Madam President, I think we should now have a quorum call, in order to give the prophets of gloom and doom an opportunity to return here.

Mr. HUMPHREY. Madam President, I think that would be going too far; one can go only so far in any 24-hour period. [Laughter.]

However, Madam President, I thank the Senator from Idaho for his tribute, which I readily accept, even though I do not think it is deserved. When one is praised in certain quarters, he should accept it without further comment.

Madam President, I yield the floor.

Mr. McCARTHY. Madam President, I suggest that this recovery is temporary, and that there is an element of continuing decline. The Federal Reserve probably should study the advisability of making some adjustment of market requirements, in order quite properly to take care of those who are engaged in trading in the stock market. Evidently some recovery is underway, but I think that might help make it more substantial.

Apart from that, I believe that we in Congress should continue our consideration of some of the basic factors in connection with the economy and should continue to work on legislation in that connection, although not in connection with the stock market, for, as it has been developing in recent weeks, it certainly is no indication of what is happening in the economy.

But we should have genuine concern in regard to expansion of the economy; and I believe, therefore, that we would do well to look to a rather simple reduction of corporate taxes, since that could be accomplished quite easily; and we should also give the President the authority he requested earlier in his administration—namely, authority to make adjustments of individual income-tax rates, so that purchasing power might be released into the economy at the proper time, and not 6 months or a year later, as would be likely to occur when it was necessary to wait for prolonged hearings and lengthy deliberations in Congress, since they would necessarily have to intervene between the time when such action was clearly necessary and the time when Congress would be able to take action.

Madam President, I ask unanimous consent to have printed in the RECORD three articles on the stock-market situation and the decline which has been discussed and the recovery which apparently is underway. The articles, which appear in today's issue of the Washington Evening Star, are as follows:

one was written by Sylvia Porter, and is entitled, "Declines Attributed to a Return to Reality." The second, written by Jack Lefler, is entitled, "Heavy Trading Cuts Values \$19.5 Billion"; and the third article, written by Frank Cormier, is entitled, "Federal Reserve Board Silent on Margin Curbs." I think these are significant comments and will help explain what has happened, and will, I believe, give encouragement to those who are concerned about the recovery.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Star, May 29, 1962]

DECLINES ATTRIBUTED TO A RETURN TO REALITY (By Sylvia Porter)

What was behind yesterday's historic crash in the stock market?

The answer falls into four broad classifications:

1. Margin calls went out from brokers last weekend to shareholders over the country who had bought stocks on borrowed capital. The calls demanded that the owners put up additional cash to back up their borrowings.

The slump of the past few weeks had pushed their equity in their stocks below the minimum permitted by Federal Reserve Board regulations and Stock Exchange rules.

As the break got worse, the calls for additional cash multiplied and many disillusioned, frightened and cash-shy holders were sold out. In view of the extent of yesterday's break, there's going to be a lot more of the same today.

2. Fear feeds on fear. As the market has declined week after week, fear of a massive downturn has caused investors who had no intentions of selling a couple of months ago to get out while they still could preserve some of their nestegg.

Always, big movements in the stock markets tend to exaggeration, particularly on the downside. This happened yesterday and what happened yesterday could make it happen again.

3. There has been liquidation of U.S. corporation stocks by foreign holders, especially by the Swiss, according to reliable sources. This has helped create air pockets in the stock markets. There's no way of calculating how big the liquidation has been from foreigners, but it has been a factor.

BIG BUYERS WAIT

4. The big buyers with funds to invest—the mutual funds, institutional investors, wealthy persons—have been largely sitting by, waiting to see how far this movement would go before they step back in on a worthwhile scale.

Over the weekend, there was a forewarning of what would happen Monday in a report that bids for stocks on the exchanges were unusually slim. The lightness or underlying buying orders could have only meant a major decline when selling orders started to pour in—and they poured.

Each of these is a key reason, but each is basically technical.

NO BUSINESS DOWNSWING

Is the stock market also flashing the fundamental message that a major business downsizing is on the way?

The answer is "No."

This has been a spectacular crackup. But the considered judgment of responsible authorities still is that the stock market is belatedly recognizing what thoughtful observers have been emphasizing for some time—the era of great inflation is way behind us and in our economy, with its high unemployment and excess industrial capacity, inflation is not going to take off soon again.

Those who bought stocks at fabulously overpriced levels which could not be justified

by commonsense reasoning or traditional yardsticks thought that inflation would ball them out and there always would be one more sucker to buy.

Inflation is not going to do this for them in the foreseeable future.

REEVALUATE BUSINESS ADVANCE

The stock market also has been reevaluating stocks as investments in view of the moderate character of the 1961-62 business advance. Earnings obviously are not going to be as fantastically fat as the optimists anticipated a few months back.

The stock market has been reflecting the increasing attractiveness of other mediums for savings too. Just simple savings accounts pay up to 4 or 4½ percent now. Bonds also have been returning much more favorable returns per year than most of the most popular stocks.

That the stock market is a "leading indicator" of business is indisputable. Often in the past it has turned up or down long before a similar movement in the economy.

ONLY ONE INDICATOR

But it is only one of the leading indicators and, as Federal Reserve Board Governor George W. Mitchell remarked recently, the fact overlooked is "that the stock market has sometimes declined significantly when the underlying business trend did not change materially. Thus, the composite price averages dropped 9 percent in the summer of 1959, 11 percent in the fall of 1956 and 15 percent in the summer of 1950. In each instance, the market had more than regained its losses before recession-related declines commenced."

What, though, if the above is too Pollyannish and the stock market break is telegraphing a signal of bad trouble ahead for the U.S. economy?

Then, the administration and Congress can—and probably will—move with powerful weapons to counteract the business decline before it gets rolling.

TAX CUTS POSSIBLE

Across-the-board tax cuts for corporations and individuals would be the greatest spur to business and the most potent antirecession weapon that exists. Serious talk of this is mounting.

What the stock market has done and is doing is returning to commonsense realities. Descent from glorious dreams of get-rich-quick to hard facts is never fun. Many are being badly hurt in the market today, hurt worse than they dreamed possible.

But this is not "another 1929" and if it ever shows signs of turning into one, we have the brains, the know-how and the determination to prevent it.

HEAVY TRADING CUTS VALUES \$19.5 BILLION— BLUE CHIPS HIT IN WORST TUMBLE SINCE BIG CRASH

NEW YORK, May 29.—The stock market opened lower today following the worst 1-day collapse since 1929.

Some huge blocks were traded as leading issues continued under selling pressure. United States Steel dropped one-fourth to 50½ on 13,000 shares.

Chrysler broke 2¼ to 41 on 6,000 shares. Raytheon topped 3¼ to 25 on 10,000 shares.

(By Jack Lefler)

NEW YORK, May 29.—The stock market, battered by its worst loss since the crash year of 1929, leaves unanswered the big question:

"Has it hit bottom?"

The market's long, sharp decline swelled to titanic proportions yesterday as trading rocketed to the highest level since October 28, 1929—the day before the climax of the crash.

The plunge wiped out an estimated \$19.5 billion from the quoted value of stocks listed

on the New York Stock Exchange, based on the fall of the Associated Press 60-stock average. This cut the total value to \$301.5 billion from \$388 billion at the end of 1961.

The Associated Press average fell 13.40 to 211.20. The Dow Jones average plummeted 34.95 to 576.93. These were the biggest tumbles taken by these averages since October 28, 1929.

TICKER TAPE SWAMPED

Volume of 9.35 million shares swamped the high-speed ticker tape.

The tape was 69 minutes late at the 3:30 p.m. close, the longest lag since the speedy tape system was installed in 1930. It didn't finish reporting the last transaction until 5:59 p.m.

The massive selling gnawed deeply into the prices of blue chip stocks—the solid, high-priced issues considered the foundation of the market.

International Business Machines slumped \$37.50 to \$361, Du Pont \$12.50 to \$202.50, American Telephone \$11 to \$100.62, and Standard Oil Co. (New Jersey) \$5 to \$46.

The wave of selling—blamed on a panicked public—was accelerated by calls for more margin. The requirement is for a 70-percent cash downpayment on stock but losses of more than 30 percent have hit many issues.

SEVENTY-FOUR FINISH HIGHER

Of 1,375 issues traded (the most ever in 1 day), only 74 finished higher and a whopping 1,212 declined. Five somehow managed to reach new 1962 highs and 937—well over half the issues listed—fell to new yearly lows.

American Telephone, the most actively traded issue on 282,000 shares, was particularly hard hit by margin calls. A technicality allowed stockholders with rights to buy additional stock to carry the purchases on 25-percent margin.

What happened to bring on the stock price debacle while the economy is rolling along at a rapid pace?

MARKET UNRAVELING

"The market is unraveling the speculative excesses of the past 3 or 4 years when anticipations of values far exceeded the realization of earnings and sales growth," suggested the big brokerage firm Bache & Co.

"We cannot say that this will be the low because who knows where emotion goes, but on the figures, the statistics, the earnings, the dividends, and the general healthy state of the U.S. economy, stocks are rapidly becoming realistic."

Others blamed the great rush to get rid of stocks on a widespread belief that inflation is over. When inflation is in force, investors feel that their money will grow in stocks. When a noninflationary trend sets in they convert to bonds and savings deposits.

Keith Funston, president of the New York Stock Exchange, said the market drop "is not a calamity."

SEES PROFITS PROTECTED

Mr. Funston, interviewed in San Antonio, Tex., added that "the people selling are selling to protect profits they have already taken."

He said there were probably several reasons for the selling and he thinks one of the biggest was President Kennedy's clash with the steel industry.

"There has been growing disquiet among investors because of Kennedy's steel action," he said, "and the wage bill that would take withholding taxes from dividends probably had something to do with it too."

Mr. Funston also mentioned higher interest on savings and loans in competing for the investor's dollar and lessened inflation as market influences.

"The Securities and Exchange Commission hearings hurt the market," he said, referring

to an SEC inquiry into exchange selling tactics.

"There's just a feeling of discomfort * * * but business prospects don't look bad at all now. The credit situation is good. There is little danger of overextended credit. * * *

"The market goes through things like this, although a lot of people thought it wouldn't go quite this far."

ATTITUDE A FACTOR

The administration's attitude toward business—stemming from its actions in forcing the steel industry to pull back a price increase—is one of many factors which are being blamed for investors' fears.

Others are that a recession is likely in 1963, a profit squeeze on business, competition from the European Common Market, and continuing international crises.

An investment analyst said the market is reflecting "the failure of the economy to reach boom levels on any sustained basis since 1957 and the erosion of profit margins resulting from increasing competition from domestic and foreign sources."

The violence of the shakeout brought some glimmers of hope on Wall Street that prices had been shoved down so far that they would appear as bargains.

BUYERS ATTRACTED BACK

If this is the case, brokers said, the mutual funds, pension funds, investment trusts, and other big buyers might be attracted back into a market which they have largely sidestepped since stocks were at their 1962 peaks.

Brokers have insisted that there could never be another 1929.

They point out that stocks now are owned by 15 million Americans—far more than in 1929—people are much wiser about the operations of the securities industry and of business as a whole.

And they say that the Government regulations enacted after 1929—the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, and the Investment Company Act and the Investment Adviser Act of 1940—have set up safeguards for the investor.

FEDERAL RESERVE BOARD SILENT ON MARGIN CURBS

(By Frank Cormier)

The Federal Reserve Board has given no sign that it will heed urgings by some Wall Streeters that stock market credit curbs be relaxed in an effort to stem the price retreat.

Board members maintained an official silence on the subject today but sources close to the Board took pains to point out that a reduction in stock margin requirements could have a negative effect.

Margin regulations, which can be changed at will by the Board, determine the downpayment an investor must make when he buys stock. Since mid-1960, a 70-percent cash downpayment has been required. Some market experts have suggested this be lowered to 50 percent.

The Reserve Board always has taken the position that changes in margin requirements are dictated by changing credit conditions rather than the level of stock prices.

WOULD LIFT MARKET

A lowering of margins, according to proponents, would give the market a lift by signifying Government willingness to take positive action to forestall a further slide in stock prices. Also, they contend lower margins would stimulate stock purchases by allowing greater use of borrowed money in the market.

Another group that opposes lower margins claims a cut would signal Government concern about price movements and might prompt additional selling. They also argue that easier credit might be used to finance short selling—the sale of borrowed shares

by people who hope to buy them back later at a lower price and pocket the difference. Short selling normally depresses stock prices.

Mass buying of stocks on credit was one of the factors aggravating the 1929 market collapse. As prices dropped, lenders called on investors to put up more cash to protect loans that financed speculative stock purchases. Investors who could not raise the needed money saw lenders sell their stocks, which had been posted as collateral for loans.

NO 1929 CURBS

In 1929, there were no formal margin requirements and stocks could be purchased with a downpayment of 10 to 25 percent cash. With the imposition of Federal margin controls in 1934, the number of investors using credit in the market dropped sharply. And the ratio of cash to credit in individual transactions was increased, which reduced the risk of a margin loan growing sour.

The sharp sell-off of recent days has led to an undetermined number of margin calls—demands for more cash to protect loans—and lenders have been selling some stocks posted as collateral when investors have been unable to meet these calls.

If margin is at 70 percent, the man who buys a \$100 stock can put up \$70 in cash and cover the balance through a loan from a broker or bank.

NO RESERVE RULE

There is a widespread misconception that if the price should drop below \$70, the shareholder would be asked to put up enough cash to match the difference between \$70 and the current price. Actually, the Reserve Board has no regulation covering such a situation. The bank or broker making the margin loan can decide in each case when or if to make a margin call.

Under the rules of the New York Stock Exchange, the \$100 stock used in the example above could drop below \$40 before a broker would be required to make a margin call. The exchange rule is that a call must be made if the amount the investor would have left after selling his stock and paying off the margin loan represents less than 25 percent of the stock's current value.

In the example cited, the loan on each share would be \$30. Therefore, if the stock were selling at \$40, liquidation of the loan through sale of the stock would leave the investor with \$10. And \$10 would be exactly 25 percent of the stock's current value.

In practice, a broker might well make a margin call before the stock fell below \$40. But he would not be likely to do so simply because the stock fell below \$70.

STOCK MARKET BREAKS: 1929 AND 1962

Mr. SYMINGTON. Madam President, this break in the stock market is unfortunate and to be regretted; but I am confident our economy is basically sound.

Whereas justification for the market break in 1929 was made by some experts on the grounds that certain stocks were selling at 20 times earnings, recently some stocks have been selling at more than 40 times earnings. That would seem to me to be too high.

I have already heard the administration blamed for this break on the basis of too high taxes, increased influence of unions, Government intervention, and an unbalanced budget.

Let me present that at the time of the market break in 1929, a far more severe break, taxes were not high, there were no big unions, there was no Government intervention and there was no unbalanced budget.

I would hope now that all segments of the economy, and the Government, would work together to retain the unparalleled prosperity this Nation now enjoys.

**THE SMALL NATIONS AND THE FUTURE OF THE UNITED NATIONS—
ADDRESS BY U THANT, SECRETARY GENERAL OF THE UNITED NATIONS**

Mr. MOSS. Madam President, U Thant, Secretary General of the United Nations, delivered a speech in Sweden on the occasion of the commemoration of the death of Dag Hammarskjöld. I hold in my hand a copy of the speech, which I believe will be of great interest to all Members of the Senate. It reveals some of the thinking of the one who now serves in the responsible position of Secretary General of the United Nations; and his speech is a very enlightening discussion of world conditions which now exist. I ask unanimous consent that the speech be printed at this point in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE SMALL NATIONS AND THE FUTURE OF THE UNITED NATIONS

(Address delivered by Acting Secretary General U Thant at Uppsala University, Sweden, on May 6, 1962)

Seventeen years ago, when the statesmen of the world gathered at San Francisco and tried to work out a world organization to establish peace on secure foundations, the international situation was very different from what it is today. The Conference was naturally dominated by the three greatest military powers, the United States, the Soviet Union, and Britain. There was a widespread belief at that time, if only these big three could be brought together in an international organization, there would be no fear of another world war, and even small brush-fire wars could be banished. In the wake of the most catastrophic war in the history of mankind, humanity had a new vision: it saw the glimmer of dawn of a warless world. The tragic history of the League of Nations was still fresh in the minds of these statesmen who realized that the League failed because it did not have sufficient authority to act. There were many in San Francisco who were familiar with the circumstances leading to the collapse of the League of Nations, and who realized that the League failed not only because it was lacking in authority but also because it was lacking in will. The psychological climate in the spring of 1945 at San Francisco was one of hope and even optimism; there was general feeling that the statesmen had learned a bitter lesson of history; the big three had emerged victorious in the colossal war against the Fascist and Nazi dictatorships at tremendous cost; peace had been won, and that hard-won peace must endure with the continued cooperation of the allies.

That hope, that vision and that belief speedily vanished in the years following the war. The causes of the deterioration in international relations which followed World War II were mainly political and psychological. After an all-too-brief period of harmony, the Big Three split among themselves. The United States and Britain were suspicious of Russian intentions and Russia was suspicious of Western intentions. In course of time, the West moved closer together and established collective defense pacts. For her part, Russia too established a cordon of

friendly states around herself and entered into similar collective defense pacts. To ask which side started this process would be unprofitable, since this would generate ceaseless arguments. The relevant consideration in this context is that fear and suspicion on both sides generated tensions which came to be reflected in the United Nations. The big powers on the Security Council, which was originally designed as the chief instrument for maintaining peace and preventing war, have made it an arena of contention and conflict. The United Nations, like its predecessor the League of Nations, has had several impressive successes to its credit, but it has not been an unqualified success in its essential purpose to establish the rule of law everywhere. One fact clearly emerges out of the debates and discussions on major political questions in the United Nations: Ordinarily the Security Council can take effective action only if the United States and the Soviet Union are in agreement.

It is impossible to conceive in our times of a world authority that could physically eclipse the giant states of the United States and the Soviet Union. All that seems possible is to employ the strength of the two giants to support a system of preventing war between other, weaker countries. But how is war to be prevented in disputes between the two giants themselves? This is the paramount question of today. In the last resort, there is only the so-called balance of terror between them. No doubt there is also a tacit recognition between them that their interest in world peace is greater than any of their other political interests. It is only on this premise that serious negotiations can be based. Herein comes the role of the smaller uncommitted countries like Sweden, which is to develop every means of strengthening this implicit understanding between the Americans and the Russians, thus making "the last resort" increasingly remote.

As far as the United States and the Soviet Union are concerned, the aim for the time being should be to stabilize and, if possible, to reduce arms stockpiles without disturbing the existing "balance of terror"; to eliminate as far as possible the risks of surprise attack or of war by accident; to check the development of new weapons, and the continuous stockpiling of existing ones. In short, the most hopeful approach is through disarmament, starting with the banning of test under appropriate and effective control and an agreed system of inspection, as the United Nations General Assembly has repeatedly favored.

As far as all other powers are concerned, the aim should be to develop the peace-keeping authority of the United Nations. A member state such as Sweden could greatly increase the usefulness of the United Nations—and I am indeed very glad to have this opportunity of stating from this forum that Sweden has been playing a very significant role in this direction. Although the moral authority of the United Nations could be built up by channeling international activities through this instrument, its efficacy will always require, ultimately, the supporting enforcement of both the United States and the Soviet Union. In the last analysis it must be a system in which the two giants must be increasingly involved. Such a development of the United Nations would also serve to add another brake to the danger of war between the two giants themselves, and forge a permanent link between them.

I said earlier that the political climate today is very different from that of 1945 when the United Nations was founded. There are still other important differences between 1945 and 1962. The first of these is the increasing use and, indeed, diversion of scientific and technological progress for military purposes. The atom bomb and the hydrogen bomb were not generally known in the spring of 1945. I do not know whether the scien-

tists at that time who were engaged in this field of research realized that large-scale atomic warfare might so poison the world as to destroy our civilization. Certainly it did not enter into the minds of those planning a new order.

Looking back over the years one would have thought that by now these obvious risks in our present situation would have become apparent to everyone. The best hopes for peace are now placed in maintaining a balance of terror but this balance is beginning to look like an illusion. It is surely time to return to the commonsense conclusion that peace and security cannot be achieved without first reaching agreements between East and West to halt the arms race. The arms race not only feeds on itself but creates in every country an attitude of mind which makes agreements impossible. The time has come for statesmen to say firmly that they do not believe in an indefinite continuation of the delicate balance of terror. This balance seems to me to be purely a theoretical conception when considered in the light of political reality. The reality is that neither the United States nor the Soviet Union will deliberately seek a nuclear war, though they may be plunged into one by accident, and the sensible course is to try to prevent accidents by limiting the arms race and reducing the areas of dispute.

Neutralization of certain areas seems to be a welcome trend in international negotiations. In 1955, the great powers, including the Soviet Union, signed a treaty which neutralized Austria. In 1960, they signed a treaty neutralizing Antarctica. A years later they were prepared to guarantee the neutralization of Laos.

The importance of neutralization does not lie solely in the creation of buffer states, valuable though that is. Neutralization is a form of territorial disarmament, a partial dismantling of the great military machines whose destructive powers have now become so terrifying. Each act of neutralization, therefore, is a kind of pilot project for the comprehensive disarmament that alone can rid the world of fear and suspicion.

These are among the great issues of the 1960's which were never thought of when the United Nations was founded. Nor had the world's statesmen contemplated the tremendous advance in national self-consciousness first in Asia and then in Africa, the ending of colonialism and the long-existing hegemony of Europe. The world of 1945, like the world of the League of Nations, was essentially the world of Europe, and of the Americas. Asia and Africa were just mere appendages of Europe. Apparently no thought was given at that time to the prospect of emerging nations of these two continents. Today half of the members of the United Nations are from Asia and Africa. One observes a growing nervousness in the West about the rise in membership of the Asian-Africans in the world organization. But surely the best interests of the West are ill served by sour comments about newly independent countries in Asia and Africa. Such an attitude is a poor tribute to the generations of dedicated and idealistic Westerners who worked precisely toward the ultimate goal of independence, even if they did not know it was going to be reached so early. Nor is it fair to expect those countries at their present stage to express frequently and vociferously their gratitude for what the West did for them. Many newly independent countries still retain bitter memories of the past. In some cases independence was too long postponed, causing a mood of frustration and desperation among freedom fighters. If a country has to fight too long and too hard to win an independence which comes too late, then some extreme forces more hostile to their old masters come to the surface and become more dominant. But by and large these new states which now constitute half the membership

of the United Nations generally share democratic ideas, including the liberal concepts of objectivity, tolerance, and the rule of law, and are rarely attracted by dogmas alien to their way of life. With just a little imagination both the East and the West could find in the building up of the United Nations authority a common platform with these newly emerging nations, for many of whom this would be the best guarantee of their independence. For the Western Powers it would be the rational sequel in world politics to their renunciation of control over their farflung empires. It would, moreover, pave the way for new techniques of international relationship within the framework of a growing United Nations.

A mature sense of responsibility was first demonstrated by the Asian-African countries in the historic Bandung Conference 7 years ago. Nearly half of the 29 countries attending that Conference were not members of the United Nations at that time. Surprisingly enough, support for the United Nations was one of the first principles endorsed. The keynote of the Bandung Conference was moderation, and a surprising degree of unanimity was achieved in the final declarations. Countries with different ideological and social systems went on record as favoring closer and friendlier relations.

I believe that all small countries everywhere have the same interest in the maintenance of peace and the development of a more effective international instrument for that purpose. The record of Sweden in the United Nations is an unmistakable demonstration of this attitude. Most of the small countries care passionately about peace. Many of them are aroused to furious protest against, say, racial discrimination as against all explosions of atomic and hydrogen bombs. For it is all part of the same compassion for humanity and the same commitment to a belief in the future of man. This philosophy which is increasingly in evidence all over the world is an affirmation of community of interest, a mass declaration that human beings must learn to understand one another even if they cannot agree with one another or like one another. It is a challenge to the conscience of the present society—a society characterized by fear, suspicion, frustration, and bitterness.

I am in complete agreement with my distinguished predecessor Mr. Dag Hammarskjöld when he said that it is the small nations, rather than the great powers, which need the protection the United Nations can give. If the West were to set about strengthening the United Nations authority upon the basis of this widely shared common interest, the possibility of effective United Nations intervention for the peaceful resolution of dangerous situations will be greatly increased. Disarmament provides an additional reason why the West should try to prepare the United Nations for a more positive role. Agreed disarmament, which all the major governments profess to want, requires as its inescapable condition the establishment of an international authority with substantial powers. To do so, the first requisite is mutual confidence. The buildup of confidence can be successful only if the United Nations is made to reflect adequately the interest and aspirations of all members, large and small. In this context the role of the small nations is still more significant. One of their functions in the United Nations should be to build bridges between East and West—to interpret the East to the West and the West to the East, and thus strengthen the very foundation on which this world organization is built.

Based on these premises let us consider the future of the United Nations.

First we must realize that the world is facing a situation which is entirely unprecedented. The situation of mutual deterrence which has preserved an uneasy peace during the past few years is not in itself likely to

produce continuing stability. The more the two great powers struggle to perfect their deterrents, the less likely it is that they will dare to use them to deal with anything except a direct attack on themselves. Tension and the dangers of an accidental calamity will rise higher and higher. Lasting security cannot be produced by this policy.

Therefore, the development of the United Nations as a really effective instrument of preventing war is of primary importance to every one of us. Every man or woman should not only ask himself or herself what he or she is going to do in the world, but also ask, "Will there be a world in which I can live?"

The second great fact of our times is that the whole world is closely linked as never before in the history of mankind. It is not true to say that Russia and the West have no interest in common. Both have the one great overriding interest in preserving peace and avoiding total war. Once that fact is recognized, it may be possible to begin the slow, painful and extremely difficult task of constructing some agreed system of disarmament, inspection and control to replace the present international anarchy. It is not too much to hope that the small uncommitted nations will take the lead in this very necessary historic enterprise within the framework of the United Nations.

Another great fact of our times is the myth of the absolute sovereign state. Up to the First World War, Britannia ruled the waves with a very powerful navy. She was, in fact, more than an absolute sovereign state; she was also the nerve center of a great empire. The United States, separated from possible aggressors by great oceans, was safe and could afford to be sovereign and isolationist. The same could be said of many other countries with varying degrees of strength and stability.

In San Francisco, 17 years ago, the assembled statesmen of the world clung to this myth. They still conceived it possible to have a peaceful world consisting of a number of armed sovereign states clinging to their sovereign status without any thought of abandoning an iota of this sovereignty. If the United Nations is to grow into a really effective instrument for maintaining the rule of law, the first step must be the willingness of the member states to give up the concept of the absolute sovereign state in the same manner as we individuals give up our absolute right to do just what we please, as an essential condition of living in an organized society. The individual has to submit to the rules laid down by the authorities, and every one of us has to pay this price as a condition of living. While the sovereignty of each of us is limited to what is necessary in the interest of the community, one retains the domestic rights for the purpose of regulating one's home life.

Similarly, in the community of nations it is increasingly important to restrict the sovereignty of states, even in a small way to start with. This restriction may involve the renunciation of the threat or the use of force as an instrument of policy, the reduction of armed forces and the undertaking to submit disputes to the arbitration of an international judiciary. Even where member states of the United Nations have voluntarily agreed to such restrictions on their absolute freedom of action, the United Nations has no authority at present to enforce them. It seems to me that the United Nations must develop in the same manner as every sovereign state has done. If the United Nations is to have a future, it must assume some of the attributes of a state. It must have the right, the power, and the means to keep the peace. In this historic task the small countries have a significant role to play.

In fact, the small nations have more than one role to play in this regard. First of all, as I have already noted, they are to play the

part of a bridge between the big powers, especially in issues which are of global interest. For example, the Disarmament Conference could not get going for many years, so long as its membership was confined to the principal protagonists in the armaments race. It will be generally agreed that the issue of disarmament is of interest not only to the major military powers but to the entire world; in fact, it is one of the central responsibilities of the United Nations under the Charter. This responsibility was ultimately reflected by the addition of eight countries—outside of the major power blocs—to the Disarmament Conference, and since then there is more hope of progress than there was before. The same is true of nuclear testing, because the effects of fallout are universal. In all such issues the small nations have a legitimate role in trying to bridge the gap between the extreme positions which are too often taken—for the record, at any rate—by the major powers.

The other role of the small nations is to give expression, so to speak, to the still, small voice. More often self-interest, rather than conscience, "makes cowards of us all" and prevents us from speaking out the truth as we see it. It is again a proper role for the small nations to speak the truth as they see it, and let the chips fall where they may. This attitude was shown repeatedly by many of the small nations, and not necessarily the Asian-Africans alone, during the 16th session of the General Assembly. I hope that for the future too the small nations will not be either overawed by their more powerful friends, or cowed by threats into silence, and that they will continue to speak out when the occasion demands.

Both these roles—I might even say, functions—of the small nations were exemplified by my distinguished predecessor, the late Dag Hammarskjöld. Over the years his role as a bridgebuilder was so successful that it became a common practice, when any difficult situation came along, for the major organs to say in so many words: "Leave it to Dag." His quiet diplomacy was one of the most successful ways of bridging the gap between extreme positions, and in his own quiet and unobtrusive way he played the part of bridgebuilder to perfection.

Even more significant was his role as the authentic voice of the conscience of humanity. Many times he had to speak out when others were inclined to be silent. Perhaps the most notable example was when he declared on October 31, 1956:

"This afternoon I wish to make the following declaration: The principles of the charter are, by far, greater than the Organization in which they are embodied, and the aims which they are to safeguard are holier than the policies of any single nation or people. As a servant of the Organization the Secretary General has the duty to maintain his usefulness by avoiding public stands on conflicts between member nations unless and until such an action might help to resolve the conflict. However, the discretion and impartiality thus imposed on the Secretary General by the character of his immediate task, may not degenerate into a policy of expediency. He must also be a servant of the principles of the charter, and its aims must ultimately determine what for him is right and wrong. For that he must stand. A Secretary General cannot serve on any other assumption than that—within the necessary limits of human frailty and honest differences of opinion—all member nations honor their pledge to observe all articles of the charter. He should also be able to assume that those organs which are charged with the task of upholding the charter, will be in a position to fulfill their task."

But this was not the only occasion. Increasingly during the last 2 years of his tenure, which was so cruelly cut short by

a tragic fate, he spoke out on major issues and was listened to with respect, even by those who, by implication, disagreed with him. I wish, at this place where he studied and grew to manhood, to place on record this tribute to him and to his memory, and to his great contribution to the international community.

Mr. McNAMARA. Madam President, if there is no further business to come before the Senate at this time—

Mr. PROXMIRE. Madam President, first, if I may, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT TO FRIDAY NEXT

Mr. PROXMIRE. Madam President, under the order previously entered, I move that the Senate stand adjourned until 12 o'clock noon on Friday next.

The motion was agreed to; and (at 4 o'clock and 11 minutes p.m.), under the previous order, the Senate adjourned until Friday, June 1, 1962, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate May 29, 1962:

U.S. AIR FORCE

The following-named officers to be assigned to positions of importance and responsibility designated by the President, in the grade indicated, under the provisions of section 8066, title 10 of the United States Code:

In the grade of general

Lt. Gen. John K. Gerhardt, 525A (major general, Regular Air Force) U.S. Air Force.

Lt. Gen. Dean C. Strother, 591A (major general, Regular Air Force) U.S. Air Force.

Lt. Gen. Mark E. Bradley, Jr., 552A (major general, Regular Air Force) U.S. Air Force.

In the grade of lieutenant general

Maj. Gen. William S. Stone, 1059A, Regular Air Force.

Maj. Gen. Richard M. Montgomery, 1025A, Regular Air Force.

Maj. Gen. Thomas F. Gerrity, 1613A, Regular Air Force.

Maj. Gen. Charles B. Westover, 1351A, Regular Air Force.

Maj. Gen. David A. Burchina, 1936A, Regular Air Force.

RETIRED LIST, U.S. AIR FORCE

Gen. Laurence S. Kuter, 89A (major general, Regular Air Force), U.S. Air Force, to be placed on the retired list in the grade of general, under the provisions of section 8962, title 10 of the United States Code.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 29, 1962:

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

John L. Newbold, of the District of Columbia, to be a member of the District of Columbia Redevelopment Land Agency for the term expiring March 3, 1965.

John Joseph Gunther, of the District of Columbia, to be a member of the District of Columbia Redevelopment Land Agency for the term expiring March 3, 1967.

JUDGE OF THE MUNICIPAL COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA

Thomas D. Quinn, of the District of Columbia, to be a judge of the municipal court of appeals for the District of Columbia for the term of 10 years.

Frank Hammett Myers, of the District of Columbia, to be a judge of the municipal court of appeals for the District of Columbia for the term of 10 years.

JUDGE OF THE MUNICIPAL COURT FOR THE DISTRICT OF COLUMBIA

John J. Malloy, of the District of Columbia, to be a judge of the municipal court for the District of Columbia for the term of 10 years.

ASSOCIATE JUDGE OF THE MUNICIPAL COURT FOR THE DISTRICT OF COLUMBIA

Joseph C. Waddy, of the District of Columbia, to be an associate judge of the municipal court for the District of Columbia, domestic relations branch, for the term of 10 years.

ADVISORY BOARD OF THE NATIONAL CAPITAL TRANSPORTATION AGENCY

Edwin T. Holland, of Virginia, to be a member of the Advisory Board of the National Capital Transportation Agency.

U.S. ARMY

The following-named cadet of the graduating class of 1962, U.S. Military Academy, for appointment in the Regular Army of the United States, in the grade indicated, under the provisions of title 10, United States Code, sections 3284 and 4353:

John H. Fagan, to be a second lieutenant.

IN THE ARMY

The nominations beginning James M. Acklin III, cadet, graduating class of 1962, U.S. Military Academy, for appointment in the Regular Army of the United States in the grade of second lieutenant, under the provisions of title 10, United States Code, sections 3284 and 4353, and ending August L. Keyes, cadet, graduating class of 1962, U.S. Air Force Academy, for appointment in the Regular Army of the United States in the grade of second lieutenant, under the provisions of title 10, United States Code, sections 541, 3284, and 3287, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 24, 1962.

IN THE NAVY AND MARINE CORPS

The nominations beginning Thomas S. Alt-house, midshipman (Naval Academy) to be permanent ensign in the line of the Navy, subject to the qualifications therefor as provided by law, and ending Robert P. Sypult for temporary promotion to the grade of first lieutenant in the Marine Corps, subject to the qualifications therefor as provided by law, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on May 21, 1962.

TAX COURT OF THE UNITED STATES

The following-named persons to be judges of the Tax Court of the United States for terms of 12 years from June 2, 1962 (reappointments):

Craig S. Atkins, of Maryland.

Norman O. Tietjens, of Ohio.

Clarence V. Oppen, of New York.

WITHDRAWAL

Executive treaty withdrawn from the Senate May 29, 1962:

CULTURAL CONVENTION BETWEEN THE UNITED STATES OF AMERICA AND THE UNITED STATES OF BRAZIL

Resolution approved by the Senate to return to the President of the United States the cultural convention between the United States of America and the United States of Brazil (S. Ex. X, 81st Cong., 2d sess.).

EXTENSIONS OF REMARKS

To Save the Wilderness

EXTENSION OF REMARKS

OF

HON. CLINTON P. ANDERSON

OF NEW MEXICO

IN THE SENATE OF THE UNITED STATES

Tuesday, May 29, 1962

Mr. ANDERSON. Mr. President, last year the Senate passed the wilderness bill, a measure which would enable us to preserve certain areas in their primeval state. That measure is now in the House Committee on Interior and Insular Affairs. Secretary of the Interior Udall has written a very excellent article on the importance of our wilderness areas which appeared May 27, in the New York Times magazine.

I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times Magazine, May 27, 1962]

TO SAVE THE WONDER OF THE WILDERNESS (By Stewart L. Udall)

When Prime Minister David Ben-Gurion of land-hungry Israel crossed the American West last spring and viewed our grand, wild landscapes beyond the 100th meridian, his response expressed the envy of many visitors from abroad: "Only America can afford such deserts."

Mr. Ben-Gurion recognized in the United States a rare option. Elsewhere there are vast tracts of wild land—the Sahara, the Himalayas, the Antarctic—which may always remain inviolate because nature offers terms only the sojourner can accept. But the lands

of other temperate countries were long ago preempted for specific uses, and only the continental countries with rugged, remote landscapes have a largesse which permits them to weigh the values of a wilderness.

Yet even in America that largesse is something of an illusion, for our existing wilderness is only a remnant of our natural heritage. Gone are the long-grass prairies where flowers lapped the stirrups of the pioneers, and the hundreds of square miles of virgin pine that once covered the Lake States. Those areas which we call primitive today have been saved from damage by their size, their remoteness, and their inaccessibility to transport. But they are shrinking daily.

And that is why, in 1962, Americans who are convinced that the good life cannot be found in the machine world alone will have their eyes on a document which has been in the hands of Congress since 1956, the wilderness bill. Already passed by the Senate, but still pending in the House, it presents one of the most significant conservation